FOREIGN AFFAIRS

NOVEMBER/DECEMBER 1997

The Rise of Illiberal Democracy

FAREED ZAKARIA

Asia's Bright Future

STEVEN RADELET & JEFFREY SACHS

The Euro and War

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Life After Kohl

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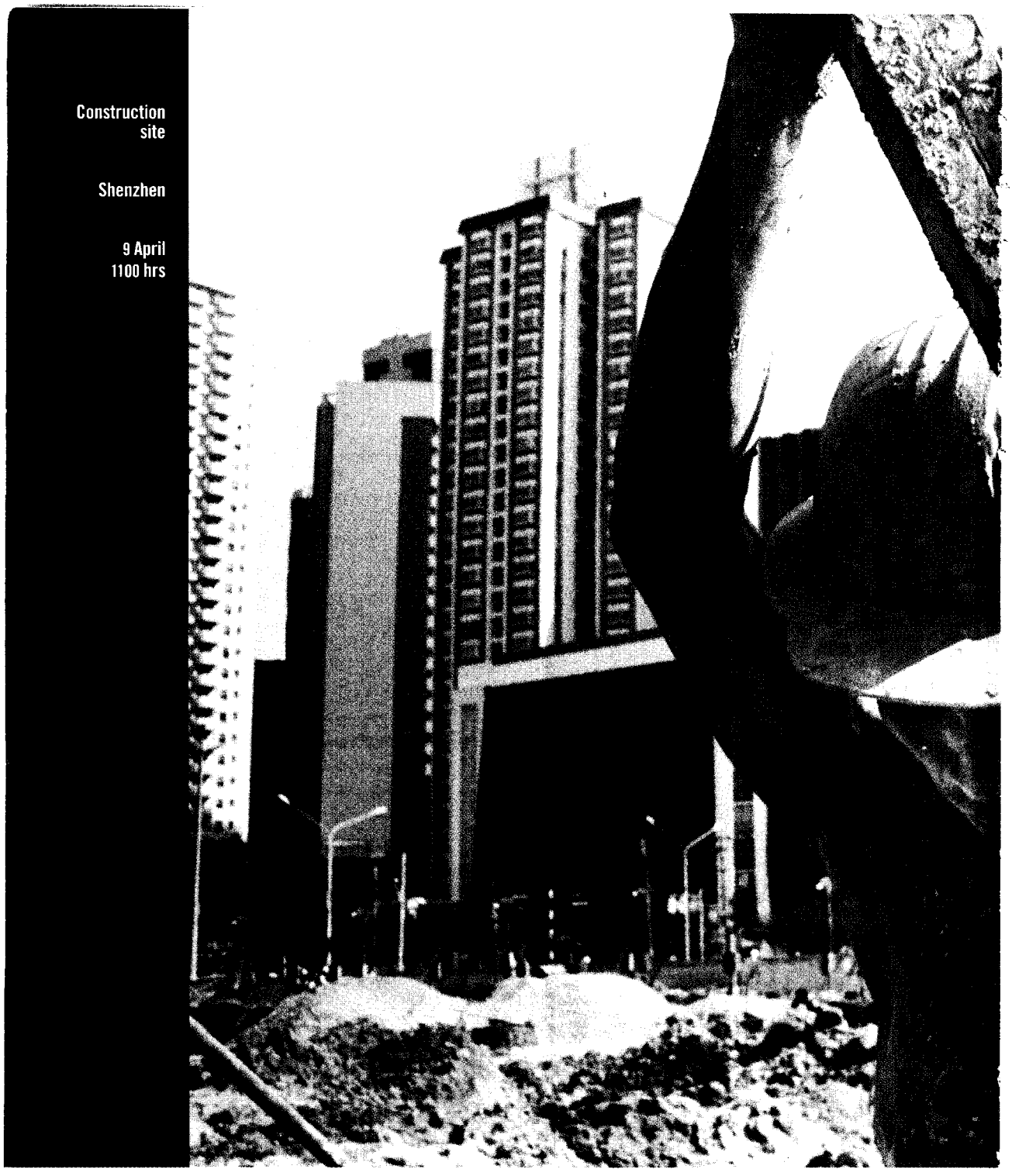

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Around the world, democratically elected regimes are routinely ignoring limits on their power and depriving citizens of basic freedoms. From Peru to the Philippines, we see the rise of a disturbing phenomenon: illiberal democracy. It has been difficult to recognize because for the last century in the West, democracy—free and fair elections—has gone hand in hand with constitutional liberalism—the rule of law and basic human rights. But in the rest of the world, these two concepts are coming apart. Democracy without constitutional liberalism is producing centralized regimes, the erosion of liberty, ethnic competition, conflict, and war. The international community and the United States must end their obsession with balloting and promote the gradual liberalization of societies.

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The West accounts for a disproportionate share of world income because it has already passed through capitalist development. Now that Asia is becoming capitalist, it will return to the center of the world economy, where it was in the early nineteenth century. Current currency crises are only blips on the screen. Asia's miracle transpired not because of shrewd industrial policy or great leaps forward but because countries attracted foreign investment and moved up the development ladder one rung at a time. But ahead lies the challenge, particularly for India and China, of establishing modern governments.

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Jean Monnet's dream that European integration would eliminate conflict may have been a delusion. France and other countries do not share Germany's fixation on sound money—or its hegemonic vision. A European central bank would be unresponsive to local unemployment, while political union would remove competitive pressures within Europe for structural reform, prompting protectionism and conflict with the United States. A Europe of 300 million people and an independent military might be a force for world peace, but war is also a distinct possibility.

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Sanctions are a huge slice of the U.S. foreign policy pie—even cities employ them. Officials like them because they see them as cheaper and cleaner than war. But in the real world, they are expensive, both diplomatically and fiscally, and seldom work. At most they starve large populations while leaving hostile leaders unscathed. If foreign corporations feel they need the ayatollah's business, slapping them with third-party sanctions only alienates their governments further. Policymakers need to think harder before they rush to push the sanctions button.

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The pending Young Bill calling for a referendum on Puerto Rico's political status offers an opportunity for the United States to end an embarrassing vestige of its imperialist ambitions. Independence would permit Puerto Rico to develop its economy and retain its national culture and Spanish language. But unless the Senate is forward-looking, ruling out commonwealth and making clear the price of statehood, centuries of repression and the lure of more federal benefits may land America with Puerto Rico's unwelcome petition to become the fifty-first state.

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Those who say big government is the problem have it wrong. The real problem is that government is pushed and pulled by interest groups and partisan politicking,

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often at the public's expense. Washington could learn from independent agencies like the Federal Reserve. Shift responsibility for things like tax policy from the politicians to the experts; besides knowing more, they work in a politics-free zone. Tossing the ball to the technocrats won't weaken democracy—Congress can always take it back—but it will produce better policy.

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Although we bandy the word about, it is surprising how little we understand globalization. Often confused as one and the same, interdependence is actually an important precursor of globalization. But as more countries leave an interdependent world and are buffeted by the forces of globalization, policymakers are tempted to react with anachronistic strategies—the Iran-Libya Sanctions Act, the Helms-Burton Act, Quebec's secession—that threaten the new order. Global public policy is the way to evolve, and will show the way between competing worlds.

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Editor's Note

A Test of Wills Over Taiwan

With China and the United States refurbishing their relationship, the issue of Taiwan's status increasingly stands out as a potential deal-breaker. Differences on other fronts appear containable for the foreseeable future within an overall policy of engagement. But Taiwan, struggling to maintain its autonomy against insistent pressure for incorporation from China's communist government, could become a casus belli involving the United States. This was my conclusion at the close of a two-week trip to China and Taiwan during which I discussed a broad array of issues with government officials, scholars, journalists, and businessmen.

How quickly tensions surrounding the island's future can escalate became clear in 1995 and 1996 when China mounted a campaign of intimidation that included bellicose warnings, military invasion exercises, and missile tests in the waters off Taiwan. The coordinated show of hostility was prompted by China's perception that the "renegade province" to which Chiang Kai-shek's defeated Nationalist forces retreated in 1949 was sliding into independence with U.S. acquiescence. Since 1949, the ruling Nationalists have adhered to the idea that Taiwan is part of China, but they insist reunification can be accomplished only after China becomes a democracy and a market economy. Independence as an alternative has grown significantly only in recent years.

China's brandishing of the sword partially accomplished its objective. Taiwanese President Lee Teng-hui moderated his provocative rhetoric both at home and on his support-seeking trips abroad. Within Taiwan's democratic politics, the opposition Democratic Progressive Party (DPP) has also muted its calls for independence. And the United States has reinforced its adherence to the policy of "one China, two systems."

But intimidation has had its costs for China. Two U.S. carrier battle groups, positioned at either end of the Taiwan Straits, underscored American objection to reunification by force. Trade and investment setbacks occurred on both sides of the straits. Taiwanese resolve to maintain separateness stiffened and resulted in stronger than expected support for the reelection of President Lee.

Today, opinion surveys show a large majority of the Taiwanese public is against reunification with mainland China so long as it is a one-party, authoritarian state. But the public is equally set against rousing the Chinese dragon by opting for independence. Even the DPP, for which independence is a party plank,

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would test the proposition in a referendum were it to come to power in the next presidential election.

All parties are treading more carefully. China is pursuing benign enmeshment through calls for more people-to-people exchanges, increased Taiwanese investment on the mainland, and direct air and shipping links. China's coastal city of Xiamen, already the scene of major Taiwanese business activity, is bustling with preparations for additional investments. A hundred garish skyscrapers are rising, with ground work started for another hundred and planning under way for a third hundred. Harbor improvements and a glittering new airport are alluring downpayments on the economic growth that would follow direct air and sea links. Wary of being entrapped, Taiwan's government is resisting such links and restricting island businesspeople from making large infrastructure investments on the mainland.

Chinese officials drop hints that come spring, a fresh initiative to expand cross-straits ties will be sprung by Chinese President Jiang Zemin, who is riding high after consolidating his power at the fifteenth Party Congress and summiting with President Bill Clinton. Some Taiwanese find that prospect ominous. They point to so-called unofficial efforts by mainland scholars to draft for Taiwan a Hong Kong–type "Basic Law," for supposed implementation by 2010.

Officially, China reiterates its willingness to be patient and await reunification with Taiwan until sometime in the next century, so long as the ambiguous status quo is observed. However, the Taiwanese government is increasingly beleaguered by China's attempts to isolate it internationally and to ensnare the island through vastly increased involvement with the mainland. The Taiwanese government is also subject to mounting criticism from its business community and foreign investors on the island for restricting their activities on the mainland, thereby ceding significant economic opportunities to Japan, Korea, Hong Kong, and Singapore. And opposition political parties against the long-ruling Nationalist Party, the Kuomintang, are gaining ground.

For the United States, the best option is a continuation of Taiwan's status quo—neither unilaterally declared independence nor forced incorporation. Both alternatives present the United States with wrenching issues of how and whether to support Taiwan, at the risk of war with China. Deliberate ambiguity on that key question is built into American policy. So must be a constant admonition to China and Taiwan that the United States adheres to "one China, two systems" and reunification by peaceful means. The administration must also counter any congressional efforts to tilt it toward Taiwanese independence.

With Chinese and Taiwanese officials moderating their rhetoric and actions, no crisis appears to be looming. But the issue remains explosive, and the internal pressures on China and Taiwan unpredictable. At the moment, it is Taiwan that appears the most unsure and prone to a siege mentality. Thus the U.S. assignment, as one observer put it, is "to keep the tail from wagging the dog."

James F. Hoge, Jr.
Editor

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Helmut Kohl wearing 3-D glasses at a computer fair

Is Germany looking at its worst crisis in 50 years?

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Life after Kohl?

We'll Always Have Germany

Robert Gerald Livingston

"His Eternality" is how the leader of Germany's Greens once referred to him. Indeed, Helmut Kohl has led his country for 15 years, the longest tenure of any chancellor this century. Reagan, Thatcher, and Mitterrand, who shared the international stage with him when he took office in 1982, are all history. But the determined *Bundeskanzler,* 67, has announced that he will run for yet another four-year term, his fifth, in September 1998.

By far the senior leader among the industrialized nations, Kohl dominates German and European politics more than any chancellor since World War II. He made possible the rapid yet smooth achievement of German unity seven years ago. He arrogates an air of indispensability in the next great project, the creation of a single currency for the European Union (EU), which he is promoting as the one sure way to permanently embed Germany in an irreversibly united Europe. And ever since he backed deployment of American missiles in Germany at the start of his first term, which his predecessor Helmut Schmidt was unable to do, Kohl has presented himself as essential to maintaining Germany's alliance with the United States.

Despite his air of confident irreplaceability and his historic achievement of unification, there is a whiff of failure in Bonn's autumn air, a hint that the Kohl era is drawing to a close. The chancellor is facing complex domestic economic problems for which his political talents seem unsuited and with which his tired and ineffective ministers of finance and economics are manifestly incapable of dealing. These include a persistent economic performance gap between eastern and western Germany; structural unemployment of nearly 12 percent, the highest since the 1930s; and high social benefits that make both problems harder to deal with because they undermine the competitiveness of an economy dependent on exports.

ROBERT GERALD LIVINGSTON established the American Institute for Contemporary German Studies at The Johns Hopkins University in 1982 and directed it until 1996. He is currently writing a book about the politics of the United States' relationship with Germany.

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THE TOWERING OAK

Kohl's long tenure typifies Germany's astonishing political continuity. From 1949, when the Federal Republic was established, until 1990, when it unified with the once-communist east, there were but two changes of power: in 1969, when Willy Brandt's Social Democratic Party (SPD) came in, and in 1982, when Kohl's Christian Democratic Union (CDU) took power back from Helmut Schmidt's SPD. Even unification's tremors did not shake up the system; seven years later, the chancellor and most of his ministers are still in place.

Kohl's down-to-earth persona appeals to voters as the embodiment of German middle-class solidity—and at six foot four and at least two hundred ninety pounds, the chancellor is a substantial embodiment. Monumentally self-confident he is, but not necessarily beloved; he consistently scores low among the top 20 German politicians in *Der Spiegel*'s monthly popularity ratings. But, he makes clear, Germans can count on him and be sure where he stands—a towering oak in any storm, as the traditional German metaphor has it.

If for Germans Kohl embodies a comforting reliability, for foreigners he represents Germany's lack of aggressiveness. This is a chancellor who invites visiting heads of state to join him in stowing away platefuls of the Rheinpfalz specialty stuffed sow belly, follows it up with caramel pudding, and settles back in his cardigan to negotiate treaties of cooperation. Nothing could be further from Prussian spiked helmets, not to speak of Nazi jackboots.

But far more than empathy with voters or geniality with foreign leaders, the chancellor's iron grip on his party accounts for his longevity. In a country where the political parties overlie and often corrupt the functioning of all three branches of government, Kohl has managed the CDU assiduously, paternalistically, and, if need be, ruthlessly. It has been his life since he joined at 16, in 1946. He worked his way up its ranks, became its chairman 24 years ago, modernized it during the 1970s, and has motivated and mobilized it in six national and more than half a hundred state elections since. His dominance in the party has been unchallenged for a decade, and he has sidelined nascent rivals. Then, too, the opposition has failed to produce an opponent anywhere near a match for him: he has knocked off four successive Social Democratic candidates for the chancellorship.

Kohl's domestic record has been decidedly modest; he tends to stand pat and wait out problems. But he achieved superbly the one big thing: German unification in 1990, a dream most West Germans had forgotten or learned to distrust. And he managed it without violence or threats, and on the best possible conditions for his country: acceptance by all Germany's neighbors and the Soviet Union, withdrawal of the 380,000 Soviet troops in East Germany, and continued membership in the Western organizations to which the Federal Republic had belonged, most significantly NATO. For the first time, the now unified nation encounters only friends and allies on its borders. With 82 million inhabitants, Germany is once again what it was before World War I and during World War II, by far the strongest power in Europe.

THE UNION TO END ALL WARS

In the final sentence of his recent memoir, *I Wanted Germany's Unity,* Kohl sets out as his next grand objective what he has called the other side of the coin of

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German unification—Europe's unification. Since 1990, Kohl has run the main lines of foreign policy out of the chancellery, and his overriding concern has been advancing the integration of Europe through introduction of a common European currency, the euro, and creation of European Monetary Union (EMU) by 1999. It is ironic that a chancellor who disdains economics has chosen a dauntingly complicated and sensitive economic instrument, exchange-rate manipulation, to promote the political cause. But, Kohl declares, he has staked his "political existence" on European unity. It is "a question of war and peace," he says.

The issue is dear to his heart partly because of his background. Kohl hails from the Palatinate, a region on the west bank of the Rhine bordering France, frequently ravaged by French armies in centuries past. Growing up and recruiting for the CDU in what was the French zone of occupation after 1945, Kohl instinctively shared Konrad Adenauer's desire for reconciliation with the "historical enemy," as well as their party's enthusiasm for European integration and its lukewarm feelings toward the nation-state. He is attuned to Gallic sensitivities about Teutonic power and has always given the French every reassurance that it would never again be turned against them.

Thus Kohl's first priority after German unification changed the balance of power on the continent was strengthening Germany's commitment to European union. The chancellor paid France's price for its assent to unification—renewal of the promise to "Europeanize" German power and, now, its greatest strength, the deutsche mark. The Maastricht Treaty of 1992, which incorporated Kohl's concessions, laid out a clear path to monetary union and beyond. With the treaty, Kohl deliberately circumscribed the policy options of the united country and offered to sacrifice its enviably stable currency to make plain that German unity would bring no reversion to German nationalism.

HOW DEEP THE CRISIS?

Whether Germany's current economic ills will accelerate Kohl's departure remains an open question. A debate is just beginning on how serious the problems are and how fundamental the reforms to deal with them need to be. Many believe that only changes at the margins are necessary, that incrementalism is the tried and still true way to proceed in Germany, and that changes such as more flexible wage agreements, restructuring by big corporations, and an increase in the number of small businesses are already well under way. They point out that the economy continues to maintain high living standards and generous social benefits, accumulate capital, generate large export surpluses, and subsidize eastern Germany to the tune of about $100 billion a year—all at the same time. These believers insist that Kohl's admonitions to Germans to roll up their sleeves and get to work will be enough.

Another school, more vocal but probably not larger, sees the worst crisis in 50 years confronting the country, bemoans the lack of innovative solutions among the political class, and calls for basic reforms—less regulation, more competition, faster privatization of state-owned industry, larger cutbacks in social benefits, and, above all, streamlining of muscle-bound government. Few of these critics would adopt American-style capitalism.

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They recall, however, that ten years ago Germany's system was a model for other countries; even five years ago the first Clinton administration looked to it for approaches it might borrow; today, foreigners take Schadenfreude in Germany's economic woes.

If innovation, flexibility, and prompt, rigorous reform are what is required, then Kohl, a hesitater and standpatter, hardly seems the right chancellor for the times. His fractious coalition government has but a 12-vote majority in the 672-seat lower house, the Bundestag, while the opposition SPD has a correspondingly slim one in the upper house, the Bundesrat, where Germany's states are represented. The ideology and institutions of Germany's "social market" economy and constitutional system pose formidable barriers to deep-cutting reform. Remembering Hitler's centralization of power, the drafters of the postwar constitution built a variety of vertical and horizontal divisions into a federalist system that shares out power, compels consensus, and discourages rapid executive decisions. Older voters—and there are many in this aging country—are security fetishists, resistant to change and attached to the welfare state that served them so well from the 1950s through the 1980s. The system's very success in the past works against its reform today.

If he remains unwilling or unable to act and the economy fails to generate many more jobs, Kohl's eternality as chancellor may well end soon. Polls are showing slightly over 50 percent support for the SPD and Greens combined, with about 40 percent for the Christian Democrats and their two coalition partners, the Bavarian Christian Social Union and the Free Democrats. Although polls are far less predictive of election outcomes in Germany than in the United States, such figures encourage the SPD not to lift a finger to help the chancellor before the vote next September. The Social Democrats' admittedly tough task is to convince electors that they will be more modern than Kohl without sacrificing his commitment to the core tenets of the German welfare state model.

Like Bill Clinton, Kohl has staged remarkable comebacks. One of his great strengths has been the readiness of opponents and the media to underestimate him and declare him politically dead. Moreover, the German constitution makes replacing a head of government difficult. But it is not too early to consider what may happen once Kohl has gone.

LOOKING BOTH WAYS

All German chancellors for the last 40 years have cultivated relationships with France and the United States in equal measure. For most of that time, the relationship with Washington was based on anticommunism and the necessity of defending against a Soviet threat that seemed imminent. With Russia weak and out of Central Europe, that necessity disappears, and ties to France and the EU assume primacy.

Whether Kohl remains or is replaced, Germany will continue to focus on its relationship with France because it is at the core of European integration, the top priority for all postwar chancellors, especially Adenauer and Schmidt. Since 1990, moreover, Kohl has fostered a climate in Germany in which any opposition to his plans for the single currency is politically incorrect—suspect as "anti-European,"

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nationalistic, even warmongering. So ingrained has Europeanism become among German voters, and so well-established is the idea of EMU among German banks, business, unions, and the media, that adoption of the euro and disappearance of the deutsche mark seem certain, very likely on Kohl's schedule. Even though some *Land* (state) prime ministers have called for postponement of monetary union, no SPD opponent will dare run against Kohl on an anti-European platform. And if Kohl loses, his successor will surely continue the pro-French and pro-European policies pursued by every chancellor since World War II.

Stamped by memories of America's generosity toward defeated Germany after the war, its readiness to champion German rehabilitation in the 1950s, and its unquestioning support for unification seven years ago, Kohl has infused the bilateral relationship with nostalgic sentimentality. His replacement by a leader from a younger generation will inevitably attenuate the connection. Additionally, the common front against the Soviet Union that once subordinated differences is no more. Germany's concentration on moving European integration ahead, and American attention to Latin America, the Middle East, the Pacific Rim, and now Central Asia—areas where the interests of Germany, a regional European power, are minor—mean that the United States and the Federal Republic will work together less frequently. Commercial disputes with a political coloration, such as over German companies' dealings with Libya and Iran, seem likely to trouble relations more than before. Germany has long been a premier exporting nation, and exports are of growing importance for the United States. A half-century after World War II and the Holocaust, Germany can be expected to pursue its national interest with far greater self-confidence and a lesser burden of inherited guilt for Hitler's crimes—even when this creates differences with Washington.

No matter who is chancellor, the best hope of keeping the United States and Germany close lies in the expansion of NATO and attendant policies in Central and Eastern Europe and Russia, such as the Partnership for Peace and operations of the Organization for Security and Cooperation in Europe, as well as joint efforts in Bosnia. Germany and the United States are the only NATO members with an activist policy throughout Central and Eastern Europe, and their interests in the region are congruent. They both are keenly aware of the need to take account of Russia's security interests as NATO enlarges. In the 1991-95 lead-up to their involvement in Bosnia, their reactions were remarkably similar.

NATO's eastward expansion is the sort of big project that should keep Washington and Berlin working together for years to come. For centuries Eastern Europe has been Germany's backyard, and it will only seem nearer when the move of the capital to Berlin is completed toward the end of the century. Poland is key to Germany's continuing eastern policy. Reconciliation with Warsaw was a prime goal for SPD chancellors in the 1970s; Kohl has followed that approach, and any successor will do the same.

Helmut Kohl has been around so long that it is hard to imagine German and European politics without him. His departure, whenever it comes, will be so significant because he is the last German

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leader for whom personal experience with the Nazis and World War II and its aftermath actively motivates political conduct. His particular skills and talents were essential to the peaceful unification of his country. They are valuable, if hardly irreplaceable, in maintaining Germany's intimate relationship with France and promoting European union. They are largely irrelevant, however, to the geopolitical and economic trends that are putting more distance between the United States and the Federal Republic, as well as to the projects in the east that hold the most promise of keeping the United States and Germany closely aligned.

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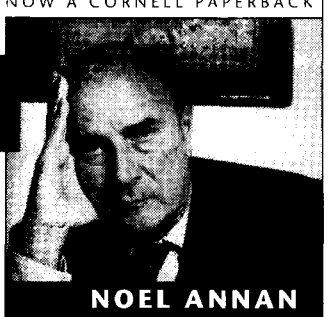

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The Cost of Combating Global Warming

Facing the Tradeoffs

Thomas C. Schelling

At international conferences, people speaking for the developing world insist that it is the developed nations that feel endangered by carbon emissions and want to retard elsewhere the kind of development that has been enjoyed by Western Europe, North America, and Japan. A reduction in carbon emissions in the developing world, they assert, will have to be at the expense of the rich nations. Their diagnosis is wrong, but their conclusion is right. Any costs of mitigating climate change during the coming decades will surely be borne by the high-income countries. But the benefits, despite what spokespeople for the developing world say, will overwhelmingly accrue to future generations in the developing world. Any action combating global warming will be, intended or not, a foreign aid program.

The Chinese, Indonesians, or Bangladeshis are not going to divert resources from their own development to reduce the greenhouse effect, which is caused by the presence of carbon-based gases in the earth's atmosphere. This is a prediction, but it is also sound advice. Their best defense against climate change and vulnerability to weather in general is their own development, reducing their reliance on agriculture and other such outdoor livelihoods. Furthermore, they have immediate environmental problems—air and water pollution, poor sanitation, disease—that demand earlier attention.

There are three reasons the beneficiaries will be in the developing countries, which will be much more developed when the impact of climate change is felt. The first is simple: that is where most people live—four-fifths now, nine-tenths in 75 years.

Second, these economies may still be vulnerable, in a way the developed economies are not, by the time climate change occurs. In the developed world hardly any component of the national income is affected by climate. Agriculture is practically the only sector of the economy affected by climate, and it contributes only a small percentage—three percent in the

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United States—of national income. If agricultural productivity were drastically reduced by climate change, the cost of living would rise by one or two percent, and at a time when per capita income will likely have doubled. In developing countries, in contrast, as much as a third of GNP and half the population currently depends on agriculture. They may still be vulnerable to climate change for many years to come.

Third, although most of these populations should be immensely better off in 50 years, many will still be poorer than the rich countries are now. The contribution to their welfare by reduced climate change will therefore be greater than any costs the developing world bears in reducing emissions.

I say all this with apparent confidence, so let me rehearse the uncertainties, which have remained essentially the same for a decade and a half. Arbitrarily adopting a doubling of greenhouse gases as a benchmark, a committee of the U.S. National Academy of Sciences estimated in 1979 that the change in average global surface atmospheric temperature could be anywhere from 1.5 to 4.5 degrees Celsius. (Note that the upper estimate is three times the lower.) This range of uncertainty has still not officially been reduced.

More important than the average warming is the effect it may have on climates. Things will not just get warmer, climatologists predict; some places will, but others will get cooler, wetter, drier, or cloudier. The average warming is merely the engine that will drive the changes. The term "global warming" is mischievous in suggesting that hot summers are what it is all about.

The temperature gradient from equator to pole is a main driving force in the circulation of the atmosphere and oceans, and a change in that gradient will be as important as the change in average temperature. Climatologists have to translate changes in temperature at various latitudes, altitudes, and seasons into changes in weather and climate in different localities. That is another source of uncertainty. Mountains, for example, are hard to work into climate models. Not many people live high in the mountains, so why worry? But India, Pakistan, Bangladesh, and Burma depend on snowfall in the Himalayas for their irrigation.

A further question gets little attention: what will the world be like 75 years from now, when changes in climate may have become serious? If we look back to 1920 and conjecture about what environmental problems then might be affected by climate changes over the coming 75 years, one problem high on the list would be mud. This was the era of muddy roads and narrow tires. Cars had to be pulled out by horses. People could not ride bicycles, and walking in the stuff was arduous. One might think, "If things get wetter or drier the mud problem will get worse or better." It might not occur to anyone that by the 1990s most of the country would be paved.

If the climate changes expected 75 years from now were to happen immediately, the most dramatic consequences would be in the incidence of parasitic and other tropical diseases. Temperature and moisture affect malaria, river blindness, schistosomiasis, dengue fever, and infantile diarrhea, all vastly more dangerous than the radioactive and chemical hazards that worry people in the developed countries.

Alarmists have weighed in with dire predictions of how a warming of tropical

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and subtropical regions will aggravate the scourge of tropical diseases. But any changes in temperature and moisture need to be superimposed on those areas as they are likely to be 50 or 75 years from now, with better sanitation, nutrition and medical and environmental technology, cleaner water, and the potential eradication of vector-borne diseases.

Malaysia and Singapore have identical climates. There is malaria in Malaysia, but hardly any in Singapore, and any malaria in Singapore gets sophisticated treatment. By the time Malaysia catches up to where Singapore is now, many tropical diseases may have been tamed. One invasive tropical creature, the guinea worm, is already expected to follow smallpox into extinction.

THE MARSHALL MODEL

The modern era of greenhouse concern dates from the 1992 Rio Conference, attended by President Bush, which produced a "framework convention" for the pursuit of reduced carbon emissions. A sequel is set for Kyoto in December. Countries from the Organization for Economic Cooperation and Development (OECD) are groping for criteria and procedures to determine "targets and timetables." There are proposals for the formal allocation of enforceable quotas, possibly with trading of emission rights. There is disappointment with the lack of convincing progress in the five years since Rio. Many people wonder whether Kyoto will settle anything.

It will not. But five years is too soon to be disappointed. Nothing like a carbon emissions regime has ever been attempted, and it is in no country's individual interest to do much about emissions: the atmosphere is a global common where everybody's emissions mingle with everybody else's. The burden to be shared is large, there are no accepted standards of fairness, nations differ greatly in their dependence on fossil fuels, and any regime to be taken seriously has to promise to survive a long time.

There are few precedents. The U.N. budget required a negotiated formula, but adherence is conspicuously imperfect, and the current budget, even including peacekeeping, is two orders of magnitude smaller than what a serious carbon regime would require. The costs in reduced productivity are estimated at two percent of GNP—forever. Two percent of GNP seems politically unmanageable in many countries.

Still, if one plots the curve of U.S. per capita GNP over the coming century with and without the two percent permanent loss, the difference is about the thickness of a line drawn with a number two pencil, and the doubled per capita income that might have been achieved by 2060 is reached in 2062. If someone could wave a wand and phase in, over a few years, a climate-mitigation program that depressed our GNP by two percent in perpetuity, no one would notice the difference.

The only experience commensurate with carbon reduction was division of aid in the Marshall Plan. In 1949-50 there was $4 billion to share. The percentage of European GNP that this amounted to depends on hypothetical exchange rates appropriate to the period, but it was well over two percent, although differing drastically among the countries. The United States insisted that the Europeans divide the aid themselves, and gave them most of a year to prepare.

The procedure was what I call "multilateral reciprocal scrutiny." Each country

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Sun block: Sooner or later, China will get money from the West to shield it from the effects of global warming

prepared detailed national accounts showing consumption, investment, dollar earnings and imports, intra-European trade, specifics like per capita fuel and meat consumption, taxes, and government expenditures—anything that might justify a share of U.S. aid. There was never a formula. There were not even criteria; there were "considerations." There was no notion that aid should be allocated to maximize recovery, equalize standards of living, balance improvements in consumption levels, or meet any other objective. Each country made its claim for aid on whatever grounds it chose. Each was queried and cross-examined about dollar-export potential, domestic substitutes for dollar imports, dietary standards, rate of livestock recovery, severity of gasoline rationing, and anything pertinent to dollar requirements. The objective was consensus on how to divide the precious $4 billion.

Although they did not succeed, they were close enough for arbitration by a committee of two people to produce an acceptable division. After the Korean War, when NATO replaced recovery as the objective, the same procedure was used. Again consensus was not reached, but again there was enough agreement for arbitration by a committee of three to decide not only the division of aid but military burdens to be assumed. Multilateral reciprocal scrutiny proved effective, no doubt because an unprecedented camaraderie had been cultivated during the Marshall Plan. And remember, consensus had to be reached by countries as different in their development, war damage, politics, and cultures as Turkey, Norway, Italy, and

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France. A similar procedure recently led to the European Union's schedule of carbon reductions for its member countries. A difference is that in the Marshall Plan it was for keeps!

Did the Marshall Plan succeed despite, or because of, its lack of formal quantitative criteria and its reliance on looser, more open-ended, pragmatic modes of discourse and argument? In the time available, plan participants could not have agreed on formal criteria. In the end they had to be satisfied with a division. Any argument over variables and parameters would have been self-serving arguments once removed; arguing explicitly over shares was more direct and candid. Had the process gone on several years, more formal criteria might have been forged. The same may occur eventually with carbon emissions.

SETTING THE CEILING

Two thousand American economists recently recommended that national emission quotas promptly be negotiated, with purchase and sale of emission rights allowed to assure a fair geographic distribution of reductions. This appears to be the U.S. position for the meeting in Kyoto. It is an elegant idea. But its feasibility is suspect, at least for the present.

One cannot envision national representatives calmly sitting down to divide up rights in perpetuity worth more than a trillion dollars. It is also hard to imagine an enforcement mechanism acceptable to the U.S. Senate. I do not even foresee agreement on what concentration of greenhouse gases will ultimately be tolerable. Without that, any trajectory of global emissions has to be transitory, in which case renegotiation is bound to be anticipated, and no prudent nation is likely to sell its surplus emissions when doing so is clear evidence that it was originally allowed more than it needed.

The current focus of international negotiation is extremely short-term. That is probably appropriate, but the long term needs to be acknowledged and kept in mind. If carbon-induced climate change proves serious, it will be the ultimate concentration of greenhouse gases in the atmosphere that matters. The objective should be to stabilize that final concentration at a level compatible with tolerable climate change. Emissions of the carbon-based gases are the current focus of attention, but the question of concentration is what needs to be settled.

If scientists knew the upper limit to what the earth's climate system could tolerate, that limit could serve as the concentration target. It would probably not matter much climatically how that limit was approached. The optimal trajectory would probably include a continuing rise in annual emissions for a few decades, followed by a significant decline as the world approached a sustainable low level compatible with the ceiling on concentration. That is no argument for present inaction: future technologies that people will rely on to save energy or make energy less carbon-intensive 10, 20, or 30 years from now will depend on much more vigorous research and development, much of it at public expense, than governments and private institutions are doing or even contemplating now.

The ceiling is variously proposed as 450, 550, 650, or 750 parts per million, compared with about 360 parts per million today. The Intergovernmental Panel on Climate Change, the scientific advisory

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body associated with these conferences, has rendered no opinion on what level of concentration might ultimately become intolerable. Without that decision, there can be no long-range plan.

In the short run, there will almost certainly be innumerable modest but worthwhile opportunities for reducing carbon emissions. National representatives from the developed countries are counting on it. They are proposing reductions of 10 or 15 percent in annual emissions for most developed countries during the coming decade or so. If such reductions are seriously pursued—an open question—a rising trend in emissions would be superimposed on a short-term effort to limit actual emissions.

A program of short-term reductions would help governments learn more about emissions and how much they can be reduced by different measures. But the prevailing sentiment seems to be that emissions can be brought down and kept down in the OECD countries. It is not yet politically correct to acknowledge that global emissions are bound to increase for many decades, especially as nations like China experience economic growth and greater energy use.

When the OECD countries do get serious about combating climate change, they should focus on actions—policies, programs, taxes, subsidies, regulations, investments, energy technology research and development—that governments can actually take or bring about that will affect emissions. Commitments to targets and timetables are inherently flawed. They are pegged some years into the future, generally the further the better. Moreover, most governments cannot predict their policies' impact on emissions.

To pick an unrealistic example, if the United States committed itself to raising the tax on gasoline by ten cents per gallon per year for the next 15 years, any agency could discern whether the tax actually went up a dime per year, and the U.S. government would know exactly what it was committed to doing. But nobody can predict what that tax would do to emissions by the end of 15 years.

GREENHOUSE POLITICS

Slowing global warming is a political problem. The cost will be relatively low: a few trillion dollars over the next 30 or 40 years, out of an OECD gross product rising from $15 trillion to $30 trillion or $40 trillion annually. But any greenhouse program that is not outrageously inefficient will have to address carbon emissions in China, whose current emissions are half the United States' but will be several times the U.S. level in 2050 if left unchecked. The OECD countries can curtail their own emissions through regulation, which, although inefficient, is politically more acceptable than taxes because the costs remain invisible. The developed-country expense of curtailing Chinese emissions will require visible transfers of budgeted resources. It will look like the foreign aid it actually is, although it will benefit China no more than India or Nigeria. Building non-carbon or carbon-efficient electric power in China will look like aid to China, not climate relief for the world.

There remains a nagging issue that is never addressed at meetings on global warming policy. The future beneficiaries of these policies in developing countries will almost certainly be better off than their grandparents, today's residents of those countries. Alternative uses of

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resources devoted to ameliorating climate change should be considered. Namely, does it makes more sense to invest directly in the development of these countries?

There are two issues here. One is whether, in benefits three or four generations hence, the return for investing directly in public health, education, water resources, infrastructure, industry, agricultural productivity, and family planning is as great as that for investing in reduced climate change. The second is whether the benefits accrue earlier, to people who more desperately need the help. Is there something escapist about discussing two percent of GNP to be invested in the welfare of future generations when nothing is done for their contemporary ancestors, a third of whom are so undernourished that a case of measles can kill?

If there were aid to divide between Bangladesh and Singapore, would anybody propose giving any of it to Singapore? In 50 or 75 years, when climate change may be a significant reality, Bangladesh probably will have progressed to the level of Singapore today. Should anyone propose investing heavily in the welfare of those future Bangladeshis when the alternative is to help Bangladesh today? People worry that the sea level may rise half a meter in the next century from global warming and that large populated areas of Bangladesh may flood. But Bangladesh already suffers terrible floods.

The need for greenhouse gas abatement cannot logically be separated from the developing world's need for immediate economic improvement. The trade-off should be faced. It probably won't be.

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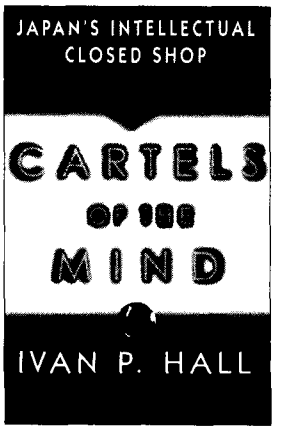

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Information Intervention

When Switching Channels Isn't Enough

Jamie F. Metzl

As the great powers lose enthusiasm for addressing mass human rights abuses with large-scale armed interventions, the international community must search for less risky alternatives that accomplish more than the symbolic and generally impotent condemnations from bodies like the U.N. Commission on Human Rights. One such measure would be to monitor, counter, and block radio and television broadcasts that incite widespread violence in crisis zones around the world.

Mass media reach not only people's homes, but also their minds, shaping their thoughts and sometimes their behavior. Many of the humanitarian disasters of the twentieth century were spawned or exacerbated over the airwaves: radio was used to propagate Nazi ideology in Germany and spur genocide in Rwanda, Somali warlords used it to incite civil war and widespread violence, and it has been instrumental, with television, in fomenting ethnic animosity and bloodshed in the former Yugoslavia. Countering such incendiary transmissions systematically, using information warfare techniques, will go a long way toward securing human rights short of costly, large-scale military investments.

RADIO RWANDA

Consider Rwanda. In January 1994 U.N. observers reported that Hutu extremist leaders were mobilizing to slaughter the minority Tutsis and moderate Hutus. Threatened by peace negotiations that could have undermined their political base, Hutu hard-liners began broadcasting fiery calls for a "final war" to exterminate Tutsi "cockroaches." After a suspicious April 1994 plane crash killed the presidents of Rwanda and Burundi, the genocide began. Announcers on the Hutu extremist-controlled Radio-Televisions Libre des Milles Collines helped organize the militias and goaded the young killers, reading lists of enemies to be hunted down and butchered. Recognizing that these broadcasts were whipping Rwanda into a killing frenzy, the U.N. military commander in Kigali, General Romeo Dallaire, a few international human rights organizations, and several U.S. senators called for them to be jammed, but nothing was done. In-

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Jamie F. Metzl, a former U.N. Human Rights Officer, is the author of *Western Responses to Human Rights Abuses in Cambodia, 1975–80.*

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stead, the small U.N. military contingent was drastically reduced, and the world stood by as 800,000 Tutsis and moderate Hutus were brutally murdered.

Perhaps the best course of action in Rwanda would have been for the U.N. Security Council to immediately authorize a heavily armed multilateral intervention to stop the genocide. The major powers, however, were unwilling to consider this option. The United States in particular was still smarting from the deaths of 18 U.S. soldiers during an attempt to capture Somali warlord Mohamed Aideed. For the American people, this was too high a price to pay for the sake of a little-understood, faraway land. In the aftermath of this incident, the Clinton administration drafted Presidential Decision Directive 25, which established a rigid framework for U.S. involvement in peacekeeping operations. Any hopes that the end of the Cold War would finally allow the world to live up to the U.N. Charter's aspirations to foster peace and protect human rights were dashed.

The world community's failure to halt the genocide in Rwanda exposed the weakness of an international system that forces states to choose between the extremes of massive, armed humanitarian intervention and mere symbolic action. A number of intermediate measures have been suggested, including trade embargoes, targeted development aid, and an African "crisis response force." All these can be appropriate in some situations, but General Dallaire has asserted that in Rwanda, simply jamming Hutu broadcasts and replacing them with messages of peace and reconciliation would have had a significant impact on the course of events. The time has come to develop, refine, and institutionalize information-based responses to incendiary mass communications.

TALK LOUDLY AND CARRY A BIG STICK

There have been an increasing number of successful "information interventions" in recent years. U.N. radio stations and programs in peace missions in Namibia, Cambodia, and eastern Slavonia have disseminated impartial, reliable news and information in conflicts rife with propaganda. Broadcasts organized by nongovernmental organizations (NGOs) in Liberia, Burundi, and Bosnia have brought individuals from different sides of the conflicts together to discuss issues openly over the airwaves and develop conflict-resolution strategies. In Burundi, for example, the American group Search for Common Ground provides the government radio station with ethnically balanced programs produced by a Hutu and Tutsi staff.

In Bosnia, NATO has been even more aggressive in its response to inflammatory broadcasts. This summer, the Pale-based Serb Radio Television, loyal to Bosnian Serb leader and indicted war crimes suspect Radovan Karadžić, began an anti-NATO campaign, mixing footage of NATO soldiers with that of Nazis in World War II. The station also broadcast reports denying that civilians had been killed in Srebrenica or that Muslim women had been raped by Serbs. Believing that these broadcasts threatened the successful implementation of the 1995 Dayton agreement that ended the fighting in Bosnia, 300 American troops seized one of the station's transmission relay towers. They held it for five days until Serb hardliners agreed not to air "inflammatory"

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anti-NATO broadcasts and to set aside one prime time hour a day for programs expressing "other political views." At the same time, the North Atlantic Council authorized NATO peacekeepers in Bosnia to take all actions necessary to "suspend or curtail programming that is hostile to the spirit of the Dayton accords." When the Pale station continued to air inflamatory footage after the September 13 municipal elections, NATO troops seized four of its main broadcast towers, effectively shutting it down.

With the notable exception of NGO broadcast activities, most successful information interventions have been backed by the potential use of force and a strong mandate. In the 1991-93 Cambodian peace mission, for example, machine gun–toting U.N. troops guarded the United Nations' radio station in Phnom Penh when it appeared that broadcasts advocating free and fair elections and an open political process were antagonizing local authorities. With a similarly strong mandate and the support of NATO troops, the U.N. Transitional Administration for Eastern Slavonia has set up its own station in Vukovar that transmits information on voter registration and U.N. policies and has promoted dialogue between the Serbs and Croats.

JAMMING GENOCIDE

Since information interventions have typically been part of larger, armed humanitarian initiatives, there is a danger that, in a post-Somalia world less willing to respond forcefully to international crises, the baby of information intervention will be thrown out with the bath water of armed humanitarian intervention. To prevent this, the United Nations should establish an independent information intervention unit with three primary areas of responsibility: monitoring, peace broadcasting, and, in extreme cases, jamming radio and television broadcasts.

The unit would have access to the major radio translation services, the BBC's Survey of World Broadcasts and the U.S. government's Foreign Broadcast Information Service reports, as well as regular communication links to embassies and U.N. offices in countries where crises are developing. This, along with input from NGOs, would provide the unit with the information it needed to monitor local media that might be used to incite violence in troubled areas. In cases where little information was received, the unit could employ satellite and airplane-based listening equipment. By monitoring broadcasts in problem zones, the unit could identify crises likely to erupt and help build a case for more aggressive action.

The unit would also be equipped for the emergency "peace broadcasting" of unbiased—or at least more responsible—news and information into crisis zones. As a conflict heated up, the unit might prepare materials for broadcast in local languages. Whenever possible, this should be done in cooperation with local governments and groups, although such consent would not always be required, especially when the people refusing consent were the ones inciting the violence. Like the unit's monitoring functions, peace broadcasting activities could be authorized under the U.N. Charter's Chapter VI, which has recently been extended to allow the Security Council not only to investigate any situation that "might lead to international friction or give rise to a dispute," but to take more aggressive action short of military intervention.

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ARCHIVE PHOTOS

Tuning in to genocide?: Rwandans, 1994

Radio and television jamming is the most potentially controversial of the unit's proposed tasks and ideally should be used only after peace broadcasting has failed, but often there may not be time for such piecemeal escalation. Jamming would be carried out in as low-risk a manner as possible, preferably from neighboring countries or from advanced aircraft, like the U.S. EC-130 Commando Solo with jamming and broadcasting capabilities, flying beyond the range of potentially hostile ground troops. The output of jammed stations would best be replaced by peace broadcasts. The information intervention unit would need rapid response capabilities, including immediate access to necessary equipment, and could be incorporated into the recently inaugurated U.N. rapid deployment force.

The proposed unit could have a major impact in many of the growing number of situations where media activities incite mass violence. Although jamming from the air or ground risks provoking an armed response, the danger is significantly less than that of full military intervention. Information interventions could be carried

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out by U.N. blue beret soldiers, making it more palatable to states fearful of sustaining troop losses, or the United Nations could authorize individual states to contribute men and equipment to a standing unit under the protective cloak of a U.N. imprimatur.

The creation of a specialized international force to counter domestic incendiary communications raises issues of accountability, and such a force should be closely monitored. One option is for the unit's activities to be authorized on a case-by-case basis under Chapter VII of the U.N. Charter, with the Security Council determining whether a given crisis constituted a "threat to the peace," but that could result in information interventions becoming as rarely used as military ones. Instead, it may be necessary to provide the proposed unit with standing authority to carry out its function, with the Security Council maintaining veto power over its actions. As in a domestic legal system, where the police power to limit certain extreme types of speech is overseen by a judicial authority that determines the appropriateness of such action, the proposed unit might be overseen by a special international judicial body, a standing committee of legal experts, or a committee of Security Council representatives. This body would develop standards for justifying escalation of the unit's activities and would oversee the implementation of its efforts.

INTERSTATE CENSORSHIP?

Critics will likely argue that allowing interference with radio and television broadcasts will justify activities by states that hamper the free flow of information and ideas. During the Cold War, when the United States faced a Soviet adversary intent on jamming the Voice of America and Radio Free Europe, and a hostile Cuban neighbor jamming U.S.-based Radio Swan and Radio Martí broadcasts, it made sense for the United States to promote an absolute standard for the free flow of information. Now a more nuanced view should be possible. The free flow provisions of international telecommunications law hardly trump the provisions of the genocide convention that make inciting genocide illegal under international law. As in U.S. domestic law, where free speech can be proscribed when it incites imminent lawless action, incitement to imminent mass human rights abuses or genocide would justify jamming activities by a U.N. information intervention unit.

The internationally authorized use of jamming technology also raises important sovereignty issues. Nations of the developing world will likely view the proposed unit as another means by which big powers can exert their political and technological dominance over smaller states. Clearly, information intervention will be more feasible and effective against small-scale actors with a limited range of media activities than against more technologically developed groups with access to multiple media outlets. The proposed unit might also more easily be used in intrastate situations than in interstate ones, but such civil conflicts have posed the greatest threat to world order since the end of the Cold War. Preventing them from becoming regional conflagrations is in the interest of all nations, particularly states destabilized by nearby conflicts and massive refugee movements. Even if smaller states and emerging powers like China do not go along with the proposal at first, working toward the establishment of such a unit

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and testing its principles in substate conflicts with fewer international ramifications will certainly begin to set some standards and may well save lives.

Permitting limited radio and television jamming in defense of human rights is no magic bullet, but it is a potentially effective and relatively low-risk tool for countering dangerous messages that incite people to violence. As one of a larger set of intermediate actions between neglect and armed intervention, it can increase the panoply of tools available for responding to such violations until, in the name of morality, economics, public relations, revised notions of national interest, or whatever else, the world community decides to create stronger and more consistent mechanisms to address them.

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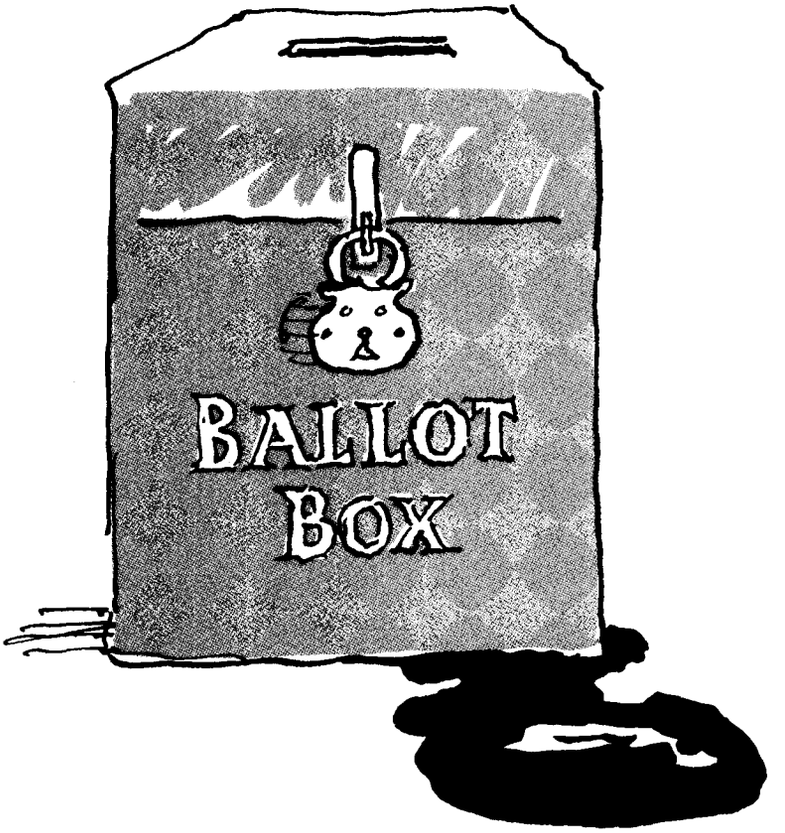

Democratic regimes are routinely ignoring limits on their power and depriving their citizens of basic liberties.

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The Rise of Illiberal Democracy

Fareed Zakaria

THE NEXT WAVE

THE AMERICAN diplomat Richard Holbrooke pondered a problem on the eve of the September 1996 elections in Bosnia, which were meant to restore civic life to that ravaged country. "Suppose the election was declared free and fair," he said, and those elected are "racists, fascists, separatists, who are publicly opposed to [peace and reintegration]. That is the dilemma." Indeed it is, not just in the former Yugoslavia, but increasingly around the world. Democratically elected regimes, often ones that have been reelected or reaffirmed through referenda, are routinely ignoring constitutional limits on their power and depriving their citizens of basic rights and freedoms. From Peru to the Palestinian Authority, from Sierra Leone to Slovakia, from Pakistan to the Philippines, we see the rise of a disturbing phenomenon in international life—illiberal democracy.

It has been difficult to recognize this problem because for almost a century in the West, democracy has meant *liberal* democracy—a political system marked not only by free and fair elections, but also by the rule of law, a separation of powers, and the protection of basic liberties of speech, assembly, religion, and property. In fact, this latter bundle of freedoms—what might be termed constitutional liberalism—is theoretically different and historically distinct

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from democracy. As the political scientist Philippe Schmitter has pointed out, "Liberalism, either as a conception of political liberty, or as a doctrine about economic policy, may have coincided with the rise of democracy. But it has never been immutably or unambiguously linked to its practice." Today the two strands of liberal democracy, interwoven in the Western political fabric, are coming apart in the rest of the world. Democracy is flourishing; constitutional liberalism is not.

Today, 118 of the world's 193 countries are democratic, encompassing a majority of its people (54.8 percent, to be exact), a vast increase from even a decade ago. In this season of victory, one might have expected Western statesmen and intellectuals to go one further than E. M. Forster and give a rousing three cheers for democracy. Instead there is a growing unease at the rapid spread of multiparty elections across south-central Europe, Asia, Africa, and Latin America, perhaps because of what happens *after* the elections. Popular leaders like Russia's Boris Yeltsin and Argentina's Carlos Menem bypass their parliaments and rule by presidential decree, eroding basic constitutional practices. The Iranian parliament—elected more freely than most in the Middle East—imposes harsh restrictions on speech, assembly, and even dress, diminishing that country's already meager supply of liberty. Ethiopia's elected government turns its security forces on journalists and political opponents, doing permanent damage to human rights (as well as human beings).

Naturally there is a spectrum of illiberal democracy, ranging from modest offenders like Argentina to near-tyrannies like Kazakstan and Belarus, with countries like Romania and Bangladesh in between. Along much of the spectrum, elections are rarely as free and fair as in the West today, but they do reflect the reality of popular participation in politics and support for those elected. And the examples are not isolated or atypical. Freedom House's 1996-97 survey, *Freedom in the World*, has separate rankings for political liberties and civil liberties, which correspond roughly with democracy and constitutional liberalism, respectively. Of the countries that lie between confirmed dictatorship and consolidated democracy, 50 percent do better on political liberties than on civil

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ones. In other words, half of the "democratizing" countries in the world today are illiberal democracies.[1]

Illiberal democracy is a growth industry. Seven years ago only 22 percent of democratizing countries could have been so categorized; five years ago that figure had risen to 35 percent.[2] And to date few illiberal democracies have matured into liberal democracies; if anything, they are moving toward heightened illiberalism. Far from being a temporary or transitional stage, it appears that many countries are settling into a form of government that mixes a substantial degree of democracy with a substantial degree of illiberalism. Just as nations across the world have become comfortable with many variations of capitalism, they could well adopt and sustain varied forms of democracy. Western liberal democracy might prove to be not the final destination on the democratic road, but just one of many possible exits.

DEMOCRACY AND LIBERTY

FROM THE TIME of Herodotus democracy has meant, first and foremost, the rule of the people. This view of democracy as a process of selecting governments, articulated by scholars ranging from Alexis de Tocqueville to Joseph Schumpeter to Robert Dahl, is now widely used by social scientists. In *The Third Wave*, Samuel P. Huntington explains why:

> Elections, open, free and fair, are the essence of democracy, the inescapable sine qua non. Governments produced by elections may be

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[1]Roger Kaplan, ed., *Freedom Around the World, 1997*, New York: Freedom House, 1997, pp. 21-22. The survey rates countries on two 7-point scales, for political rights and civil liberties (lower is better). I have considered all countries with a combined score of between 5 and 10 to be democratizing. The percentage figures are based on Freedom House's numbers, but in the case of individual countries I have not adhered strictly to its ratings. While the *Survey* is an extraordinary feat—comprehensive and intelligent—its methodology conflates certain constitutional rights with democratic procedures, which confuses matters. In addition, I use as examples (though not as part of the data set) countries like Iran, Kazakstan, and Belarus, which even in procedural terms are semi-democracies at best. But they are worth highlighting as interesting problem cases since most of their leaders were elected, reelected, and remain popular.

[2]*Freedom in the World: The Annual Survey of Political Rights and Civil Liberties, 1992-1993*, pp. 620-26; *Freedom in the World, 1989-1990*, pp. 312-19.

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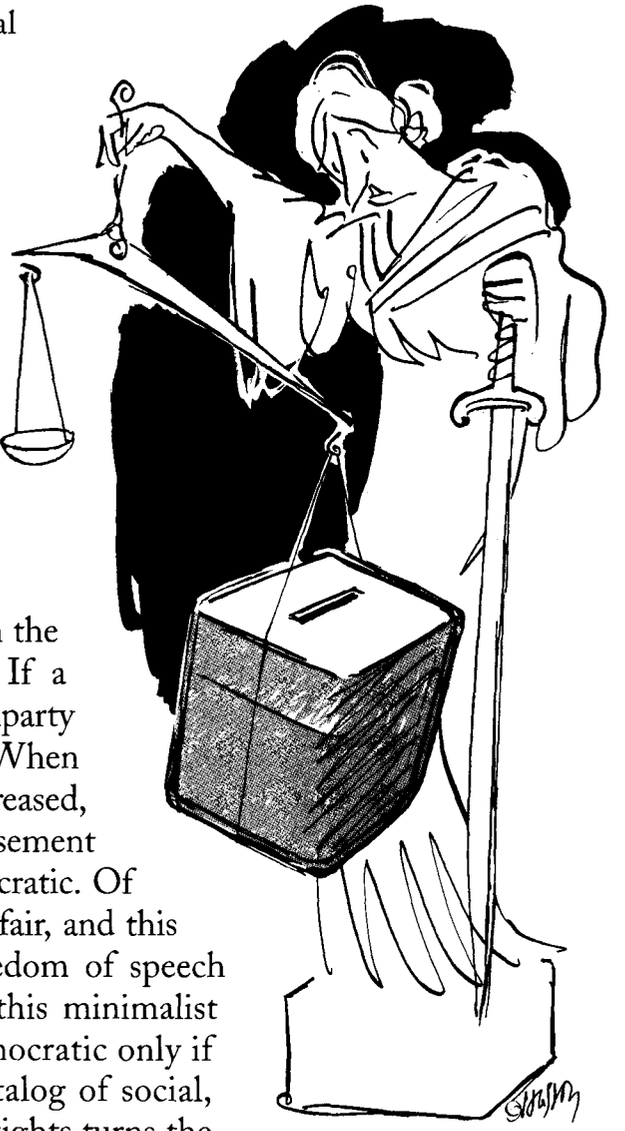
inefficient, corrupt, shortsighted, irresponsible, dominated by special interests, and incapable of adopting policies demanded by the public good. These qualities make such governments undesirable but they do not make them undemocratic. Democracy is one public virtue, not the only one, and the relation of democracy to other public virtues and vices can only be understood if democracy is clearly distinguished from the other characteristics of political systems.



This definition also accords with the commonsense view of the term. If a country holds competitive, multiparty elections, we call it democratic. When public participation in politics is increased, for example through the enfranchisement of women, it is seen as more democratic. Of course elections must be open and fair, and this requires some protections for freedom of speech and assembly. But to go beyond this minimalist definition and label a country democratic only if it guarantees a comprehensive catalog of social, political, economic, and religious rights turns the word democracy into a badge of honor rather than a descriptive category. After all, Sweden has an economic system that many argue curtails individual property rights, France until recently had a state monopoly on television, and England has an established religion. But they are all clearly and identifiably democracies. To have democracy mean, subjectively, "a good government" renders it analytically useless.

Constitutional liberalism, on the other hand, is not about the procedures for selecting government, but rather government's goals. It refers

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to the tradition, deep in Western history, that seeks to protect an individual's autonomy and dignity against coercion, whatever the source—state, church, or society. The term marries two closely connected ideas. It is *liberal* because it draws on the philosophical strain, beginning with the Greeks, that emphasizes individual liberty.[3] It is *constitutional* because it rests on the tradition, beginning with the Romans, of the rule of law. Constitutional liberalism developed in Western Europe and the United States as a defense of the individual's right to life and property, and freedom of religion and speech. To secure these rights, it emphasized checks on the power of each branch of government, equality under the law, impartial courts and tribunals, and separation of church and state. Its canonical figures include the poet John Milton, the jurist William Blackstone, statesmen such as Thomas Jefferson and James Madison, and philosophers such as Thomas Hobbes, John Locke, Adam Smith, Baron de Montesquieu, John Stuart Mill, and Isaiah Berlin. In almost all of its variants, constitutional liberalism argues that human beings have certain natural (or "inalienable") rights and that governments must accept a basic law, limiting its own powers, that secures them. Thus in 1215 at Runnymede, England's barons forced the king to abide by the settled and customary law of the land. In the American colonies these laws were made explicit, and in 1638 the town of Hartford adopted the first written constitution in modern history. In the 1970s, Western nations codified standards of behavior for regimes across the globe. The Magna Carta, the Fundamental Orders of Connecticut, the American Constitution, and the Helsinki Final Act are all expressions of constitutional liberalism.

THE ROAD TO LIBERAL DEMOCRACY

SINCE 1945 Western governments have, for the most part, embodied both democracy and constitutional liberalism. Thus it is difficult to imagine the two apart, in the form of either illiberal democracy or liberal autocracy. In fact both have existed in the past and persist in the present. Until the twentieth century, most countries in

[3]The term "liberal" is used here in its older, European sense, now often called classical liberalism. In America today the word has come to mean something quite different, namely policies upholding the modern welfare state.

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Western Europe were liberal autocracies or, at best, semi-democracies. The franchise was tightly restricted, and elected legislatures had little power. In 1830 Great Britain, in some ways the most democratic European nation, allowed barely 2 percent of its population to vote for one house of Parliament; that figure rose to 7 percent after 1867 and reached around 40 percent in the 1880s. Only in the late 1940s did most Western countries become full-fledged democracies, with universal adult suffrage. But one hundred years earlier, by the late 1840s, most of them had adopted important aspects of constitutional liberalism—the rule of law, private property rights, and increasingly, separated powers and free speech and assembly. For much of modern history, what characterized governments in Europe and North America, and differentiated them from those around the world, was not democracy but constitutional liberalism. The "Western model" is best symbolized not by the mass plebiscite but the impartial judge.

Democracy does not necessarily bring about constitutional liberalism.

The recent history of East Asia follows the Western itinerary. After brief flirtations with democracy after World War II, most East Asian regimes turned authoritarian. Over time they moved from autocracy to liberalizing autocracy, and, in some cases, toward liberalizing semi-democracy.[4] Most of the regimes in East Asia remain only semi-democratic, with patriarchs or one-party systems that make their elections ratifications of power rather than genuine contests. But these regimes have accorded their citizens a widening sphere of economic, civil, religious, and limited political rights. As in the West, liberalization in East Asia has included economic liberalization, which is crucial in promoting both growth and liberal democracy. Historically, the factors most closely associated with full-fledged liberal democracies are capitalism, a bourgeoisie, and a high

[4]Indonesia, Singapore, and Malaysia are examples of liberalizing autocracies, while South Korea, Taiwan, and Thailand are liberal semi-democracies. Both groups, however, are more liberal than they are democratic, which is also true of the region's only liberal democracy, Japan; Papua New Guinea, and to a lesser extent the Philippines, are the only examples of illiberal democracy in East Asia.

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per capita GNP. Today's East Asian governments are a mix of democracy, liberalism, capitalism, oligarchy, and corruption—much like Western governments circa 1900.

Constitutional liberalism has led to democracy, but democracy does not seem to bring constitutional liberalism. In contrast to the Western and East Asian paths, during the last two decades in Latin America, Africa, and parts of Asia, dictatorships with little background in constitutional liberalism have given way to democracy. The results are not encouraging. In the western hemisphere, with elections having been held in every country except Cuba, a 1993 study by the scholar Larry Diamond determined that 10 of the 22 principal Latin American countries "have levels of human rights abuse that are incompatible with the consolidation of [liberal] democracy."[5] In Africa, democratization has been extraordinarily rapid. Within six months in 1990 much of Francophone Africa lifted its ban on multiparty politics. Yet although elections have been held in most of the 45 sub-Saharan states since 1991 (18 in 1996 alone), there have been setbacks for freedom in many countries. One of Africa's most careful observers, Michael Chege, surveyed the wave of democratization and drew the lesson that the continent had "overemphasized multiparty elections . . . and correspondingly neglected the basic tenets of liberal governance." In Central Asia, elections, even when reasonably free, as in Kyrgyzstan and Kazakstan, have resulted in strong executives, weak legislatures and judiciaries, and few civil and economic liberties. In the Islamic world, from the Palestinian Authority to Iran to Pakistan, democratization has led to an increasing role for theocratic politics, eroding long-standing traditions of secularism and tolerance. In many parts of that world, such as Tunisia, Morocco, Egypt, and some of the Gulf States, were elections to be held tomorrow, the resulting regimes would almost certainly be more illiberal than the ones now in place.

Many of the countries of Central Europe, on the other hand, have moved successfully from communism to liberal democracy,

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[5] Larry Diamond, "Democracy in Latin America," in Tom Farer, ed., *Beyond Sovereignty: Collectively Defending Democracy in a World of Sovereign States,* Baltimore: Johns Hopkins University Press, 1996, p. 73.

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having gone through the same phase of liberalization without democracy as other European countries did during the nineteenth century. Indeed, the Austro-Hungarian empire, to which most belonged, was a classic liberal autocracy. Even outside Europe, the political scientist Myron Weiner detected a striking connection between a constitutional past and a liberal democratic present. He pointed out that, as of 1983, "every single country in the Third World that emerged from colonial rule since the Second World War with a population of at least one million (and almost all the smaller colonies as well) with a continuous democratic experience is a former British colony."[6] British rule meant not democracy—colonialism is by definition undemocratic—but constitutional liberalism. Britain's legacy of law and administration has proved more beneficial than France's policy of enfranchising some of its colonial populations.

While liberal autocracies may have existed in the past, can one imagine them today? Until recently, a small but powerful example flourished off the Asian mainland—Hong Kong. For 156 years, until July 1, 1997, Hong Kong was ruled by the British Crown through an appointed governor general. Until 1991 it had never held a meaningful election, but its government epitomized constitutional liberalism, protecting its citizens' basic rights and administering a fair court system and bureaucracy. A September 8, 1997, editorial on the island's future in *The Washington Post* was titled ominously, "Undoing Hong Kong's Democracy." Actually, Hong Kong has precious little democracy to undo; what it has is a framework of rights and laws. Small islands may not hold much practical significance in today's world, but they do help one weigh the relative value of democracy and constitutional liberalism. Consider, for example, the question of where you would rather live, Haiti, an illiberal democracy, or Antigua, a liberal semi-democracy. Your choice would probably relate not to the weather, which is pleasant in both, but to the political climate, which is not.

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[6]Myron Weiner, "Empirical Democratic Theory," in Myron Weiner and Ergun Ozbudun, eds., *Competitive Elections in Developing Countries*, Durham: Duke University Press, 1987, p. 20. Today there are functioning democracies in the Third World that are not former British colonies, but the majority of the former are the latter.

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ABSOLUTE SOVEREIGNTY

JOHN STUART MILL opened his classic *On Liberty* by noting that as countries became democratic, people tended to believe that "too much importance had been attached to the limitation of power itself. That . . . was a response against rulers whose interests were opposed to those of the people." Once the people were themselves in charge, caution was unnecessary. "The nation did not need to be protected against its own will." As if confirming Mill's fears, consider the words of Alexandr Lukashenko after being elected president of Belarus with an overwhelming majority in a free election in 1994, when asked about limiting his powers: "There will be no dictatorship. I am of the people, and I am going to be for the people."

The tension between constitutional liberalism and democracy centers on the scope of governmental authority. Constitutional liberalism is about the limitation of power, democracy about its accumulation and use. For this reason, many eighteenth- and nineteenth-century liberals saw in democracy a force that could undermine liberty. James Madison explained in *The Federalist* that "the danger of oppression" in a democracy came from "the majority of the community." Tocqueville warned of the "tyranny of the majority," writing, "The very essence of democratic government consists in the absolute sovereignty of the majority."

The tendency for a democratic government to believe it has absolute sovereignty (that is, power) can result in the centralization of authority, often by extraconstitutional means and with grim results. Over the last decade, elected governments claiming to represent the people have steadily encroached on the powers and rights of other elements in society, a usurpation that is both horizontal (from other branches of the national government) and vertical (from regional and local authorities as well as private businesses and other nongovernmental groups). Lukashenko and Peru's Alberto Fujimori are only the worst examples of this practice. (While Fujimori's actions—disbanding the legislature and suspending the constitution, among others—make it difficult to call his regime democratic, it is worth noting that he won two elections and was extremely popular until recently.) Even a bona fide reformer like Carlos Menem has passed close to 300 presidential decrees in his eight years in office, about three times as many as all

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previous Argentinean presidents put together, going back to 1853. Kyrgyzstan's Askar Akayev, elected with 60 percent of the vote, proposed enhancing his powers in a referendum that passed easily in 1996. His new powers include appointing all top officials except the prime minister, although he can dissolve parliament if it turns down three of his nominees for the latter post.

Horizontal usurpation, usually by presidents, is more obvious, but vertical usurpation is more common. Over the last three decades, the Indian government has routinely disbanded state legislatures on flimsy grounds, placing regions under New Delhi's direct rule. In a less dramatic but typical move, the elected government of the Central African Republic recently ended the long-standing independence of its university system, making it part of the central state apparatus.

Usurpation is particularly widespread in Latin America and the states of the former Soviet Union, perhaps because both regions mostly have presidencies. These systems tend to produce strong leaders who believe that they speak for the people—even when they have been elected by no more than a plurality. (As Juan Linz points out, Salvador Allende was elected to the Chilean presidency in 1970 with only 36 percent of the vote. In similar circumstances, a prime minister would have had to share power in a coalition government.) Presidents appoint cabinets of cronies, rather than senior party figures, maintaining few internal checks on their power. And when their views conflict with those of the legislature, or even the courts, presidents tend to "go to the nation," bypassing the dreary tasks of bargaining and coalition-building. While scholars debate the merits of presidential versus parliamentary forms of government, usurpation can occur under either, absent well-developed alternate centers of power such as strong legislatures, courts, political parties, regional governments, and

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independent universities and media. Latin America actually combines presidential systems with proportional representation, producing populist leaders and multiple parties—an unstable combination.

Many Western governments and scholars have encouraged the creation of strong and centralized states in the Third World. Leaders in these countries have argued that they need the authority to break down feudalism, split entrenched coalitions, override vested interests, and bring order to chaotic societies. But this confuses the need for a legitimate government with that for a powerful one. Governments that are seen as legitimate can usually maintain order and pursue tough policies, albeit slowly, by building coalitions. After all, few claim that governments in developing countries should not have adequate police powers; the trouble comes from all the other political, social, and economic powers that they accumulate. In crises like civil wars, constitutional governments might not be able to rule effectively, but the alternative—states with vast security apparatuses that suspend constitutional rights—has usually produced neither order nor good government. More often, such states have become predatory, maintaining some order but also arresting opponents, muzzling dissent, nationalizing industries, and confiscating property. While anarchy has its dangers, the greatest threats to human liberty and happiness in this century have been caused not by disorder but by brutally strong, centralized states, like Nazi Germany, Soviet Russia, and Maoist China. The Third World is littered with the bloody handiwork of strong states.

Historically, unchecked centralization has been the enemy of liberal democracy. As political participation increased in Europe over the nineteenth century, it was accommodated smoothly in countries such as England and Sweden, where medieval assemblies, local governments, and regional councils had remained strong. Countries like France and Prussia, on the other hand, where the monarchy had effectively centralized power (both horizontally and vertically), often ended up illiberal and undemocratic. It is not a coincidence that in twentieth-century Spain, the beachhead of liberalism lay in Catalonia, for centuries a doggedly independent and autonomous region. In America, the presence of a rich variety of institutions—state, local, and private—made it much easier to accommodate the rapid and large extensions in suffrage that took place in the early nineteenth century. Arthur Schlesinger Sr.

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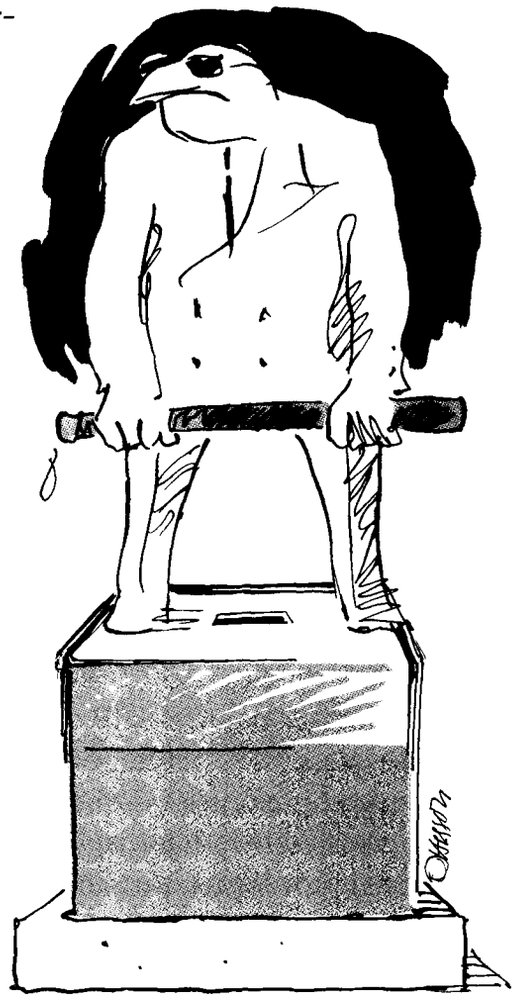
has documented how, during America's first 50 years, virtually every state, interest group and faction tried to weaken and even break up the federal government.[7] More recently, India's semi-liberal democracy has survived because of, not despite, its strong regions and varied languages, cultures, and even castes. The point is logical, even tautological: pluralism in the past helps ensure political pluralism in the present.



Fifty years ago, politicians in the developing world wanted extraordinary powers to implement then-fashionable economic doctrines, like nationalization of industries. Today their successors want similar powers to privatize those very industries. Menem's justification for his methods is that they are desperately needed to enact tough economic reforms. Similar arguments are made by Abdalá Bucarem of Ecuador and by Fujimori. Lending institutions, such as the International Monetary Fund and the World Bank, have been sympathetic to these pleas, and the bond market has been positively exuberant. But except in emergencies like war, illiberal means are in the long run incompatible with liberal ends. Constitutional government is in fact the key to a successful economic reform policy. The experience of East Asia and Central Europe suggests that when regimes—whether authoritarian, as in East Asia, or

[7]Arthur Schlesinger, Sr., *New Viewpoints in American History*, New York: Macmillan, 1922, pp. 220-40.

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liberal democratic, as in Poland, Hungary, and the Czech Republic—protect individual rights, including those of property and contract, and create a framework of law and administration, capitalism and growth will follow. In a recent speech at the Woodrow Wilson International Center in Washington, explaining what it takes for capitalism to flourish, Federal Reserve chairman Alan Greenspan concluded that, "The guiding mechanism of a free market economy. . . is a bill of rights, enforced by an impartial judiciary"

The democratic peace is actually the liberal peace.

Finally, and perhaps more important, power accumulated to do good can be used subsequently to do ill. When Fujimori disbanded parliament, his approval ratings shot up to their highest ever. But recent opinion polls suggest that most of those who once approved of his actions now wish he were more constrained. In 1993 Boris Yeltsin famously (and literally) attacked the Russian parliament, prompted by parliament's own unconstitutional acts. He then suspended the constitutional court, dismantled the system of local governments, and fired several provincial governors. From the war in Chechnya to his economic programs, Yeltsin has displayed a routine lack of concern for constitutional procedures and limits. He may well be a liberal democrat at heart, but Yeltsin's actions have created a Russian super-presidency. We can only hope his successor will not abuse it.

For centuries Western intellectuals have had a tendency to view constitutional liberalism as a quaint exercise in rule-making, mere formalism that should take a back seat to battling larger evils in society. The most eloquent counterpoint to this view remains an exchange in Robert Bolt's play *A Man For All Seasons*. The fiery young William Roper, who yearns to battle evil, is exasperated by Sir Thomas More's devotion to the law. More gently defends himself.

> More: What would you do? Cut a great road through the law to get after the Devil?
> Roper: I'd cut every law in England to do that!
> More: And when the last law was down, and the Devil turned on you—where would you hide Roper, the laws all being flat?

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ETHNIC CONFLICT AND WAR

On December 8, 1996, Jack Lang made a dramatic dash to Belgrade. The French celebrity politician, formerly minister of culture, had been inspired by the student demonstrations involving tens of thousands against Slobodan Milošević, a man Lang and many Western intellectuals held responsible for the war in the Balkans. Lang wanted to lend his moral support to the Yugoslav opposition. The leaders of the movement received him in their offices—the philosophy department—only to boot him out, declare him "an enemy of the Serbs," and order him to leave the country. It turned out that the students opposed Milošević not for starting the war, but for failing to win it.

Lang's embarrassment highlights two common, and often mistaken, assumptions—that the forces of democracy are the forces of ethnic harmony and of peace. Neither is necessarily true. Mature liberal democracies can usually accommodate ethnic divisions without violence or terror and live in peace with other liberal democracies. But without a background in constitutional liberalism, the introduction of democracy in divided societies has actually fomented nationalism, ethnic conflict, and even war. The spate of elections held immediately after the collapse of communism were won in the Soviet Union and Yugoslavia by nationalist separatists and resulted in the breakup of those countries. This was not in and of itself bad, since those countries had been bound together by force. But the rapid secessions, without guarantees, institutions, or political power for the many minorities living within the new countries, have caused spirals of rebellion, repression, and, in places like Bosnia, Azerbaijan, and Georgia, war.

Elections require that politicians compete for peoples' votes. In societies without strong traditions of multiethnic groups or assimilation, it is easiest to organize support along racial, ethnic, or religious lines. Once an ethnic group is in power, it tends to exclude other ethnic groups. Compromise seems impossible; one can bargain on material issues like housing, hospitals, and handouts, but how does one split the difference on a national religion? Political competition that is so divisive can rapidly degenerate into violence. Opposition movements, armed rebellions, and coups in Africa have often been directed against ethnically based regimes, many of which came to power

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through elections. Surveying the breakdown of African and Asian democracies in the 1960s, two scholars concluded that democracy "is simply not viable in an environment of intense ethnic preferences." Recent studies, particularly of Africa and Central Asia, have confirmed this pessimism. A distinguished expert on ethnic conflict, Donald Horowitz, concluded, "In the face of this rather dismal account . . . of the concrete failures of democracy in divided societies . . . one is tempted to throw up one's hands. What is the point of holding elections if all they do in the end is to substitute a Bemba-dominated regime for a Nyanja regime in Zambia, the two equally narrow, or a southern regime for a northern one in Benin, neither incorporating the other half of the state?"[8]

Over the past decade, one of the most spirited debates among scholars of international relations concerns the "democratic peace"—the assertion that no two modern democracies have gone to war with each other. The debate raises interesting substantive questions (does the American Civil War count? do nuclear weapons better explain the peace?) and even the statistical findings have raised interesting dissents. (As the scholar David Spiro points out, given the small number of both democracies and wars over the last two hundred years, sheer chance might explain the absence of war between democracies. No member of his family has ever won the lottery, yet few offer explanations for this impressive correlation.) But even if the statistics are correct, what explains them? Kant, the original proponent of the democratic peace, contended that in democracies, those who pay for wars—that is, the public—make the decisions, so they are understandably cautious. But that claim suggests that democracies are more pacific than other states. Actually they are more warlike, going to war more often and with greater intensity than most states. It is only with other democracies that the peace holds.

When divining the cause behind this correlation, one thing becomes clear: the democratic peace is actually the liberal peace. Writing in the

[8]Alvin Rabushka and Kenneth Shepsle, *Politics in Plural Societies: A Theory of Democratic Instability*, Columbus: Charles E. Merill, pp. 62-92; Donald Horowitz, "Democracy in Divided Societies," in Larry Diamond and Mark F. Plattner, eds., *Nationalism, Ethnic Conflict and Democracy*, Baltimore: The Johns Hopkins University Press, 1994, pp. 35-55.

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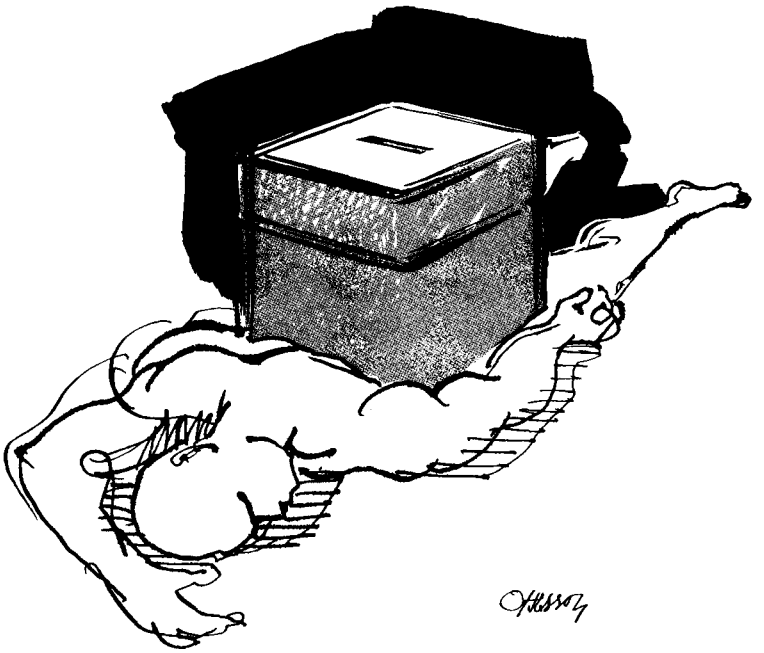

eighteenth century, Kant believed that democracies were tyrannical, and he specifically excluded them from his conception of "republican" governments, which lived in a zone of peace. Republicanism, for Kant, meant a separation of powers, checks and balances, the rule of law, protection of individual rights, and some level of representation in government (though nothing close to universal suffrage). Kant's other explanations for the "perpetual peace" between republics are all closely linked to their constitutional and liberal character: a mutual respect for the rights of each other's citizens, a system of checks and balances assuring that no single leader can drag his country into war, and classical liberal economic policies—most importantly, free trade—which create an interdependence that makes war costly and cooperation useful. Michael Doyle, the leading scholar on the subject, confirms in his 1997 book *Ways of War and Peace* that without constitutional liberalism, democracy itself has no peace-inducing qualities:

> Kant distrusted unfettered, democratic majoritarianism, and his argument offers no support for a claim that all participatory polities—democracies—should be peaceful, either in general or between fellow democracies. Many participatory polities have been non-liberal. For two thousand years before the modern age, popular rule was widely associated with aggressiveness (by Thucydides) or imperial success (by

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Machiavelli) . . . The decisive preference of [the] median voter might well include "ethnic cleansing" against other democratic polities.

The distinction between liberal and illiberal democracies sheds light on another striking statistical correlation. Political scientists Jack Snyder and Edward Mansfield contend, using an impressive data set, that over the last 200 years democratizing states went to war significantly more often than either stable autocracies or liberal democracies. In countries not grounded in constitutional liberalism, the rise of democracy often brings with it hyper-nationalism and war-mongering. When the political system is opened up, diverse groups with incompatible interests gain access to power and press their demands. Political and military leaders, who are often embattled remnants of the old authoritarian order, realize that to succeed that they must rally the masses behind a national cause. The result is invariably aggressive rhetoric and policies, which often drag countries into confrontation and war. Noteworthy examples range from Napoleon III's France, Wilhelmine Germany, and Taisho Japan to those in today's newspapers, like Armenia and Azerbaijan and Milošević's Serbia. The democratic peace, it turns out, has little to do with democracy.

THE AMERICAN PATH

An American scholar recently traveled to Kazakstan on a U.S. government-sponsored mission to help the new parliament draft its electoral laws. His counterpart, a senior member of the Kazak parliament, brushed aside the many options the American expert was outlining, saying emphatically, "We want our parliament to be just like your Congress." The American was horrified, recalling, "I tried to say something other than the three words that had immediately come screaming into my mind: 'No you don't!'" This view is not unusual. Americans in the democracy business tend to see their own system as an unwieldy contraption that no other country should put up with. In fact, the adoption of some aspects of the American constitutional framework could ameliorate many of the problems associated with illiberal democracy. The philosophy behind the U.S. Constitution, a fear of accumulated power, is as relevant today as it was in 1789. Kazakstan, as it happens, would be particularly well-served by a strong parliament—like the American Congress—to check the insatiable appetite of its president.

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It is odd that the United States is so often the advocate of elections and plebiscitary democracy abroad. What is distinctive about the American system is not how democratic it is but rather how undemocratic it is, placing as it does multiple constraints on electoral majorities. Of its three branches of government, one—arguably paramount—is headed by nine unelected men and women with life tenure. Its Senate is the most unrepresentative upper house in the world, with the lone exception of the House of Lords, which is powerless. (Every state sends two senators to Washington regardless of its population—California's 30 million people have as many votes in the Senate as Arizona's 3.7 million—which means that senators representing about 16 percent of the country can block any proposed law.) Similarly, in legislatures all over the United States, what is striking is not the power of majorities but that of minorities. To further check national power, state and local governments are strong and fiercely battle every federal intrusion onto their turf. Private businesses and other nongovernmental groups, what Tocqueville called intermediate associations, make up another stratum within society.

The American system is based on an avowedly pessimistic conception of human nature, assuming that people cannot be trusted with power. "If men were angels," Madison famously wrote, "no government would be necessary." The other model for democratic governance in Western history is based on the French Revolution. The French model places its faith in the goodness of human beings. Once the people are the source of power, it should be unlimited so that they can create a just society. (The French revolution, as Lord Acton observed, is not about the limitation of sovereign power but the abrogation of all intermediate powers that get in its way.) Most non-Western countries have embraced the French model—not least because political elites like the prospect of empowering the state, since that means empowering themselves—and most have descended into bouts of chaos, tyranny, or both. This should have come as no surprise. After all, since its revolution France itself has run through two monarchies, two empires, one proto-fascist dictatorship, and five republics.[9]

[9]Bernard Lewis, "Why Turkey Is the Only Muslim Democracy," *Middle East Quarterly*, March 1994, pp. 47-48.

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Of course cultures vary, and different societies will require different frameworks of government. This is not a plea for the wholesale adoption of the American way but rather for a more variegated conception of liberal democracy, one that emphasizes both parts of that phrase. Before new policies can be adopted, there lies an intellectual task of recovering the constitutional liberal tradition, central to the Western experience and to the development of good government throughout the world. Political progress in Western history has been the result of a growing recognition over the centuries that, as the Declaration of Independence puts it, human beings have "certain inalienable rights" and that "it is to secure these rights that governments are instituted." If a democracy does not preserve liberty and law, that it is a democracy is a small consolation.

LIBERALIZING FOREIGN POLICY

A PROPER appreciation of constitutional liberalism has a variety of implications for American foreign policy. First, it suggests a certain humility. While it is easy to impose elections on a country, it is more difficult to push constitutional liberalism on a society. The process of genuine liberalization and democratization is gradual and long-term, in which an election is only one step. Without appropriate preparation, it might even be a false step. Recognizing this, governments and nongovernmental organizations are increasingly promoting a wide array of measures designed to bolster constitutional liberalism in developing countries. The National Endowment for Democracy promotes free markets, independent labor movements, and political parties. The U.S. Agency for International Development funds independent judiciaries. In the end, however, elections trump everything. If a country holds elections, Washington and the world will tolerate a great deal from the resulting government, as they have with Yeltsin, Akayev, and Menem. In an age of images and symbols, elections are easy to capture on film. (How do you televise the rule of law?) But there is life after elections, especially for the people who live there.

Conversely, the absence of free and fair elections should be viewed as one flaw, not the definition of tyranny. Elections are an important virtue of governance, but they are not the only virtue. Governments

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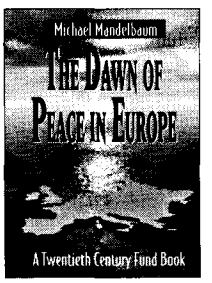

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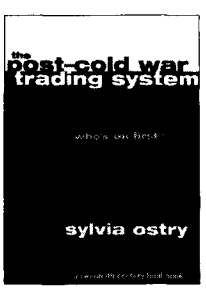

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should be judged by yardsticks related to constitutional liberalism as well. Economic, civil, and religious liberties are at the core of human autonomy and dignity. If a government with limited democracy steadily expands these freedoms, it should not be branded a dictatorship. Despite the limited political choice they offer, countries like Singapore, Malaysia, and Thailand provide a better environment for the life, liberty, and happiness of their citizens than do either dictatorships like Iraq and Libya or illiberal democracies like Slovakia or Ghana. And the pressures of global capitalism can push the process of liberalization forward. Markets and morals can work together. Even China, which remains a deeply repressive regime, has given its citizens more autonomy and economic liberty than they have had in generations. Much more needs to change before China can even be called a liberalizing autocracy, but that should not mask the fact that much has changed.

Finally, we need to revive constitutionalism. One effect of the overemphasis on pure democracy is that little effort is given to creating imaginative constitutions for transitional countries. Constitutionalism, as it was understood by its greatest eighteenth century exponents, such as Montesquieu and Madison, is a complicated system of checks and balances designed to prevent the accumulation of power and the abuse of office. This is done not by simply writing up a list of rights but by constructing a system in which government will not violate those rights. Various groups must be included and empowered because, as Madison explained, "ambition must be made to counteract ambition." Constitutions were also meant to tame the passions of the public, creating not simply democratic but also deliberative government. Unfortunately, the rich variety of unelected bodies, indirect voting, federal arrangements, and checks and balances that characterized so many of the formal and informal constitutions of Europe are now regarded with suspicion. What could be called the Weimar syndrome—named after interwar Germany's beautifully constructed constitution, which failed to avert fascism—has made people regard constitutions as simply paperwork that cannot make much difference. (As if any political system in Germany would have easily weathered military defeat, social revolution, the Great Depression, and

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hyperinflation.) Procedures that inhibit direct democracy are seen as inauthentic, muzzling the voice of the people. Today around the world we see variations on the same majoritarian theme. But the trouble with these winner-take-all systems is that, in most democratizing countries, the winner really does take all.

DEMOCRACY'S DISCONTENTS

WE LIVE IN a democratic age. Through much of human history the danger to an individual's life, liberty and happiness came from the absolutism of monarchies, the dogma of churches, the terror of dictatorships, and the iron grip of totalitarianism. Dictators and a few straggling totalitarian regimes still persist, but increasingly they are anachronisms in a world of global markets, information, and media. There are no longer respectable alternatives to democracy; it is part of the fashionable attire of modernity. Thus the problems of governance in the 21st century will likely be problems *within* democracy. This makes them more difficult to handle, wrapped as they are in the mantle of legitimacy.

Illiberal democracies gain legitimacy, and thus strength, from the fact that they are reasonably democratic. Conversely, the greatest danger that illiberal democracy poses—other than to its own people—is that it will discredit liberal democracy itself, casting a shadow on democratic governance. This would not be unprecedented. Every wave of democracy has been followed by setbacks in which the system was seen as inadequate and new alternatives were sought by ambitious leaders and restless masses. The last such period of disenchantment, in Europe during the interwar years, was seized upon by demagogues, many of whom were initially popular and even elected. Today, in the face of a spreading virus of illiberalism, the most useful role that the international community, and most importantly the United States, can play is—instead of searching for new lands to democratize and new places to hold elections—to consolidate democracy where it has taken root and to encourage the gradual development of constitutional liberalism across the globe. Democracy without constitutional liberalism is not simply inadequate, but dangerous,

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bringing with it the erosion of liberty, the abuse of power, ethnic divisions, and even war. Eighty years ago, Woodrow Wilson took America into the twentieth century with a challenge, to make the world safe for democracy. As we approach the next century, our task is to make democracy safe for the world.

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Asia's Reemergence

Steven Radelet and Jeffrey Sachs

CAPITALISM LEAVES ITS WESTERN ENCLAVE

BEGINNING IN the early 1500s, for more than four centuries now, the West has been ascendant in the world economy. With but 14 percent of the world's population in 1820, Western Europe and four colonial offshoots of Great Britain (Australia, Canada, New Zealand, and the United States) had already achieved around 25 percent of world income. By 1950, after a century and a half of Western industrialization, their income share had soared to 56 percent, while their population share hovered around 17 percent. Asia, with 66 percent of the world's population, had a meager 19 percent of world income, compared with 58 percent in 1820. In 1950, however, one of the great changes of modern history began, with the rapid growth of many Asian economies. By 1992, fueled by high growth rates, Asia's share of world income had risen to 33 percent.[1] This tidal shift is likely to continue, with Asia reemerging by the early 21st century as the world's center of economic activity.

Asia's sudden ascent has become something of a Rorschach test for the economics profession and the foreign policy community. For some, Asia's rapid growth is an economic miracle that calls for a reevaluation of Western economic strategies. For others, such as the MIT economist Paul Krugman, writing in the November/December 1994 *Foreign Affairs,* the rapid growth has looked hollow. Not only has there been no miracle, but there was reason to believe that Asian growth might display weaknesses similar to those of the period of rapid Soviet growth in the 1950s and 1960s. These doubts seemed to

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find support in the sudden, sharp currency crises that gripped several high-flying Southeast Asian economies (especially Indonesia, Malaysia, the Philippines, and Thailand) in mid-1997. Even money managers formerly enamored of the region decried underlying institutional weaknesses, including corruption, nepotism, populist policies, and insufficient banking regulation.

The Southeast Asian currency crises of 1997 are not a sign of the end of Asian growth but rather a recurring—if difficult to predict—pattern of financial instability that often accompanies rapid economic growth. Just as Indonesia, Malaysia, and Korea rapidly recovered from financial crises in the 1970s and 1980s, so the Asian economies are likely to resume rapid growth within two to three years. In the long term, growth will continue because most of Asia has adopted capitalism as the organizing basis of economic life and become deeply integrated into the global economy. This has been true for more than a century in Japan, since the Meiji Restoration of 1868. Korea and Taiwan adopted essentially capitalist development strategies in the 1960s, while most of Southeast Asia made similar choices in the 1970s. Even China in recent years can be considered to have adopted an essentially capitalist development model, despite continued Communist Party rule and a state sector that still employs around 18 percent of the labor force. India began turning away from a milder version of socialism in the early 1990s, though Indian domestic politics still contains strong doses of anticapitalist rhetoric.

If there is anything to the "Asian miracle," it is that several governments, benefiting from Japan's early experience and from each other's experiences since the 1960s, have been able to create an economic environment for profitable, private investment—almost always with important foreign partners—despite serious shortcomings in overall political and economic conditions. They did so, in most cases, by creating in the midst of weaker economic institutions a capitalist enclave that has gradually spread throughout the economy. Put another way, Asia's challenge, so far accomplished, has been to create a virtuous circle, in which a modern economic sector originally

[1]The 1820-1950 data are from Angus Maddison, *Monitoring the World Economy, 1820-1992*, Paris: Organization for Economic Cooperation and Development, 1995, pp. 226-27. The more recent data are from Alan Heston and Robert Summers, "The Penn World Tables 5.6," on-line, University of Pennsylvania, 1994.

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confined to an enclave has not only expanded through new investments but has fueled a much broader modernization of political and economic institutions. Addressing governmental weaknesses is the largest hurdle facing Asian countries, particularly the region's two colossi that constitute around two-thirds of Asia's population and around 38 percent of the world's population—China and India. Corruption is rife, judicial systems are weak, and local governments often lack authority and adequate finances. But global capitalism stirs powerful forces for economic growth even in the face of serious limitations in law, economic structure, and politics.

The West currently has a disproportionate share of world income, but its share will diminish as capitalism pervades Asia. By 2025, Asia will likely reassume its place at the center of the world economy. Asia may account for 55 to 60 percent of world income in the year 2025, with the West's share falling from around 45 percent today to between 20 and 30 percent. Standards of living will still be much higher in the West, but average per capita income in Asia will probably increase to around one-third of the U.S. level, compared with a meager 13 percent today.[2]

CURRENCY CRISES

THESE LONG-TERM projections might seem heedlessly optimistic in the face of the economic shocks buffeting Asia. Recently the darlings of the international investment community, Southeast Asian economies have taken a beating at the hands of money managers inside and outside their countries. Equity markets fell by around 50 percent (in dollar terms) in Thailand between January and September 1997, while declines in other Asian markets have been in the range of 40 percent. Has the bubble of East Asian growth burst, the years of rapid growth already a thing of the past?

The currency upheavals probably reflect short-run financial considerations rather than a long-term crisis of regional growth. The

[2]This analysis draws heavily on the Asian Development Bank's study, *Emerging Asia: Changes and Challenges*, Manila: 1997, prepared in conjunction with a team of academic advisers drawn mainly from the Harvard Institute for International Development. See also the technical background paper by Radelet, Sachs, and Jong-Wha Lee, "Economic Growth in Asia," HIID, 1997.

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simplest part of the explanation is that the Southeast Asian countries increasingly pegged their currencies to the U.S. dollar during the 1990s, even though the region's trade depends not just on the United States but on the European and Asian markets (with Japan playing an important role). After mid-1995 the U.S. dollar began to appreciate sharply vis-à-vis the yen and the major continental European currencies such as the deutsche mark, French franc, and Spanish peseta. As a result, the Southeast Asian currencies also appreciated sharply against the yen, European currencies, and other national currencies, such as the Chinese yuan, that also depreciated vis-à-vis the dollar. It took 3.5 yen to buy one Thai baht in May 1995; by May 1997, on the eve of the currency crisis, it took 4.6 yen, a rise of 31 percent. In effect, the Southeast Asian exporters were pricing themselves out of the European and Japanese markets. They were also facing stiff competition from China, which had devalued the yuan in January 1994. Naturally, exchange rates came under pressure.

Asia will account for about 55 percent of world income by 2025.

There is a second, related aspect of the financial crisis. The Southeast Asian countries all attracted considerable foreign capital investments in the 1990s. Many of these investments enhanced export potential and thereby contributed to the main engine of long-term growth. In the mid-1990s, however, a rising share of foreign flows appears to have headed for speculative investments in the real estate markets. Following financial market deregulation in many countries, commercial banks got into the act by borrowing dollars from abroad and lending the funds domestically to real estate developers. When they made these loans in local currency, the banks exposed themselves to the risk of currency depreciation, since the value of such loans would fall relative to the value of their dollar borrowing. Even when the domestic real estate loans were in dollars, however, the banks were at risk, since domestic property developers would be unable to repay the dollar-denominated loans in the event of a weakening of the domestic currency. The pegged exchange rate regimes gave (misplaced) confidence to the financiers to accept such risks. Thus when property markets weakened in 1996 and the currencies depreciated in 1997, the banks were hit by a double whammy of nonperforming loans, and many faced insolvency. The

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banking crisis was exacerbated, especially in Thailand, by inadequate levels of bank capital and poor supervision.

The currency crises will likely have continuing effects for two or three years on the overall health of the banking system and on the construction sector, so that growth during 1997 and 1998 will be slower than in previous years. The crises also underscore better regulation and supervision of the financial markets as a condition for more stable growth in the future. These are serious challenges. Nonetheless, looking forward more than a couple of years, the currency crises (appropriately dealt with) do not call into question the underlying export-growth strategy of the region or the medium-term growth prospects.

THE KRUGMAN CRITIQUE

PAUL KRUGMAN'S critique of East Asia's rapid growth was that it was unimpressive and even suspect because it was based largely on heavy investment spending rather than productivity growth. He riled Asian policymakers by noting that rapid Soviet growth had been similarly based on heavy investment spending. The implication was that East Asian growth was fragile, and, indeed, likely to founder. Krugman was right to dispel the notion that Asia's "miraculous" growth could continue at very high rates forever, but he was wrong about the solidity of Asia's economic development, and he gave a misleading impression of Asia's prospects for the future.

First, Krugman's empirical claims about investment versus productivity as factors of growth were much too stark. Most researchers have found that rapid growth in Asia has been due to both productivity growth and capital investment, though it is probably true that investment spending, not pure productivity gains, has been the major source of overall GDP growth. Second, and perhaps more important, growth based on rapid capital accumulation (that is, physical investment spending) can be highly desirable, as long as the investment spending itself meets the market test, in the sense of rates of return that exceed the cost of capital. Here the contrast between East Asia and the former Soviet Union could not be greater. Soviet capital was allocated by bureaucratic fiat, not market forces. Rates of return in the Soviet Union were low and falling rapidly as early as the late 1950s. Rates of return in

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East Asia, in contrast, have been high and have declined only gradually over time. In Korea, for example, after 30 years of rapid growth, the marginal productivity of capital is estimated at around 20 percent, far higher than estimates for the United States of around 11 percent.

Krugman's critique is correct on a general point. To the extent that growth is driven by capital accumulation rather than pure productivity gains, the marginal productivity of capital is likely to decline as the capital stock deepens—that is, as capital per worker in the Asian economies rises to the level of Western economies. But this point does not really answer the question of how *fast* the decline in growth is likely to be. All other things being equal, growth rates tend to fall gradually (over decades) as developing countries close the income gap with the United States (at around $27,000 per capita). A country at one-fourth the U.S. income level experiences a growth rate roughly 2.8 percentage points above the U.S. rate. If the United States manages per capita growth of about 2.0 percent per year, a country at $7,000 per capita (such as Thailand) could have per capita growth around 4.8 percent per year, equivalent to aggregate GDP growth of 6.5 percent to 7.0 percent per year. When the income gap narrows to around half the U.S. level, growth diminishes by about 1.4 percent per year, so a country at around $13,500 might be expected to have a per capita growth rate near 3.4 percent per year. Interestingly, Japan itself—once viewed naively as a country that would quickly soar ahead of U.S. income levels—demonstrated this kind of tapering off of growth as its economic success led to a narrowing (and virtual elimination) of the income gap with the United States.

Growth in developing countries tends to slow as they catch up with the United States.

Of course growth also depends on policy choices, geography, and demography. For example, demographic changes supported high savings and rapid growth in the past, as falling fertility rates led to an increasing share of workers in the population. In the future, however, Asia's aging populations—most immediately in Japan—will put pressure on pension and public health insurance systems and slow economic growth.

The main conclusion, shown in Table 1, is that while all of Asia has continued room for significant growth, the high-income East

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Asian economies are likely to grow more slowly in the next 30 years than in the past 30 because of both capital deepening and demographic changes. Southeast Asia and China, where incomes are low compared with the advanced economies, should be able to grow at about the same rate as in the past 30 years, as the impact of capital deepening is offset by continued policy reform and institutional upgrading. In these countries, the slowing effect from the aging of society is still several decades away. South Asia is likely to accelerate its growth rate, as policy reforms take root and demographic shifts work in favor of high savings and faster growth.

EAST ASIA'S GROWTH STRATEGY

TABLE 2 reminds us of the extraordinary achievements of Asian economies. From 1965 to 1995, per capita income rose more than sevenfold in the four "tigers" and about fourfold in Southeast Asia and China. As is well known, all these high-flying economies exhibited certain similarities. They achieved rapid export growth, followed prudent fiscal policies, recorded high rates of saving, pursued a public policy in support of rising literacy and basic education, did not undermine agriculture, and achieved a rapid transition to low rates of population growth. While these basic features of high growth seem straightforward—and indeed are the workhorse components of typical development programs of the World Bank—something went very right in East Asia that did not click in other parts of the developing world.

Developing countries typically lag many years behind the advanced countries in the adoption of new technologies in manufacturing and services. Infrastructure is poor. Research and development is generally far behind the world standard and is useful mainly to support the adoption of proven technologies from the advanced economies. How can the lagging countries hope to catch up with the world leaders? In development thinking over the past half-century, three types of answers have been given to this question. The first has been the doctrine of the "big push," according to which a government should contrive to put all the supporting pieces in place at nearly the same time through large-scale physical investments in infrastructure, basic industry, and research and development, as well as legal and institutional changes.

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TABLE 1 GROWTH PROSPECTS FOR ASIAN ECONOMIES, 1995-2025

ECONOMY	GDP PER CAPITA RELATIVE TO U.S. 1965	1995	PROJECTED IN 2025	PROJECTED PER CAPITA GDP GROWTH RATE, 1996-2025
FOUR TIGERS	**17.3%**	**72.2%**	**98.5%**	**2.8%**
HONG KONG	30.1	98.4	116.5	2.1
SINGAPORE	15.9	85.2	107.0	2.5
SOUTH KOREA	9.0	48.8	82.6	3.5
TAIWAN	14.2	56.2	88.0	3.1
CHINA	**3.2**	**10.8**	**38.2**	**6.0**
SOUTHEAST ASIA	**10.0**	**21.2**	**45.7**	**4.5**
INDONESIA	5.2	13.1	35.8	5.0
MALAYSIA	14.3	36.8	71.2	3.9
PHILIPPINES	10.7	9.4	28.5	5.3
THAILAND	9.7	25.6	47.4	3.8
SOUTH ASIA	**8.5**	**9.2**	**21.3**	**4.4**
BANGLADESH	9.9	8.5	17.2	3.9
INDIA	6.5	7.8	24.4	5.5
PAKISTAN	7.7	7.7	18.1	4.4
SRI LANKA	10.1	12.6	25.3	3.9

SOURCE: *Emerging Asia: Changes and Challenges*

The Stalinist drive toward rapid industrialization in the 1930s and China's Great Leap Forward of 1958-61 were the most destructive manifestations of this thinking, but numerous failed lesser big pushes litter the development scene.

The second idea has been the doctrine of "import substitution" or "infant industry protection," which holds that national industry requires breathing space to catch up with foreign competitors. This venerable doctrine, extending from Alexander Hamilton in 1790 to Friedrich List in the 1840s to Raul Prebisch in the 1950s, has achieved some successes but a much larger number of failures. Infant industry protection often becomes senile industry protection: domestic firms in small markets never attain the scale at which they could overcome foreign cost advantages, and protection leaves enterprises lazy, dependent on state handouts, and behind in adopting technology. Infant industry protection works best in large markets. Its track record in the United States, Germany, Japan, and more recently in Brazil, China, and Korea shows some modest successes (balanced by many high costs). Its record in much smaller economies in Latin America, South Asia, Central Europe, and elsewhere is one of almost unremitting failure.

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TABLE 2 ASIAN ANNUAL PER CAPITA GDP GROWTH, 1965-1995

FOUR TIGERS	**6.6%**
HONG KONG	5.6
KOREA	7.2
SINGAPORE	7.2
TAIWAN	6.2
CHINA	**5.6**
SOUTHEAST ASIA	**3.9**
INDONESIA	4.7
MALAYSIA	4.8
PHILIPPINES	1.2
THAILAND	4.8
SOUTH ASIA	**1.9**
BANGLADESH	1.6
INDIA	2.2
PAKISTAN	1.6
SRI LANKA	2.3
OECD	**2.1**
LATIN AMERICA	**0.9**
SUB-SAHARAN AFRICA	**0.2**

SOURCE: *Emerging Asia: Changes and Challenges*

The third doctrine, which best exemplifies the Asian paradigm, was aptly named by the Japanese economist Kaname Akamatsu in the 1930s: the "flying geese" model, according to which countries gradually move up in technological development by following in the pattern of countries just ahead of them in the development process. In this vision, Korea and Taiwan take over leadership in textiles and apparel from Japan as Japan moves into the higher-technology sectors of electronics, transport, and other capital goods. A decade or so later, Korea and Taiwan are able to upgrade to electronics and auto components, while the textile and apparel industries move to Indonesia, Thailand, and Vietnam.

To some extent, the flying geese pattern can be seen as the natural outcome of market forces: labor-abundant, capital-scarce economies will be internationally competitive in labor-intensive sectors, such as apparel, and will graduate to more capital- or skill-intensive sectors as savings and education deepen the pool of capital and skilled workers. And yet, as the Asian economies demonstrated, more than markets are required. Even the simplest labor-intensive products (apparel, footwear, electronics assembly) are part of a sophisticated international division of labor, one increasingly determined by multinational enterprises and technological designs created in the advanced economies. The trick is to bring multinational production enterprises and their technologies into the poorer economies to link them to the engines of growth of the advanced economies.

If the paradigmatic institution of the big push was state ownership of industry, and for import substitution was private ownership backed by protectionism, for flying-geese development it is the export platform. The idea behind an export platform is to create an enclave economy

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hospitable to foreign investors and integrated into the global economy, without the problems of infrastructure, security, rule of law, and trade policies that plague the rest of the economy. Asian governments introduced several variations of the export platform, including export processing zones (EPZs), bonded warehouses, special economic zones, and duty drawback systems. Governments supported these institutions with macroeconomic policies that strengthened the incentives for labor-intensive exports, especially via appropriate exchange rates.

The paradigmatic institution of Asian growth is the export platform.

The export platform strategy began with textiles and apparel but really took off with electronics. With the emergence of the semiconductor industry and the early realization by Hewlett-Packard, Texas Instruments, National Semiconductor, and others that even in this very high-tech sector there were several very low-tech processes such as chip assembly, the new industry leaders began a search for low-wage production sites. Advances in information technology greatly enhanced the applicability of export platform production. Computer-assisted design and manufacturing allows digitized instructions for design, fabric-cutting, or other technical specifications to be sent from engineering headquarters to local production sites via phone lines. Reductions in transport costs, for example through the computerization and faster turnaround time of container ports, also facilitated the outsourcing of production.

Some early candidates for low-wage production sites were in America's back yard. Texas Instruments began production in El Salvador, only to leave in the mid-1980s when political instability and *yanqui*-baiting heated up. Hong Kong was a more likely candidate: stable, with low wages, and under British law and political control. Hong Kong's early success in the 1950s was not lost on its neighbors such as Taiwan and Korea, and then Singapore in 1965 and Malaysia in the early 1970s. The Southeast Asian countries began to compete furiously for footloose electronics firms that were neglected or shunned in the Caribbean, Mexico, Central America, or other potential sites. By 1975 East Asia employed roughly 95 percent of worldwide offshore electronics assembly workers. By the mid-1970s, the die was cast: poor East Asian countries were swept up in the worldwide electronics revolution,

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while Latin America, Central Europe, and sub-Saharan Africa were bypassed. Starting in 1980, China created several special economic zones up and down the coast, but especially in Shenzhen City, on the border of Hong Kong. Within a few years, one of the world's greatest export booms was under way, with millions of new jobs in China directed toward labor-intensive export production.

EPZs, bonded warehouses, and duty drawbacks accounted for the bulk of the manufacturing exports of the East Asian tiger economies in the early years, but they also served as models. In Korea, for example, there was more stress on joint ventures and technology licensing than on foreign investment in EPZs. But the underlying model was the same: domestic production linked with worldwide technology through the direct involvement of foreign firms. Joint ventures, original equipment manufacturing, outsourcing under license, and similar arrangments all facilitate export-oriented manufacturing by poorer economies.

The flying geese of East Asia caught the updraft of global electronics production, which has helped carry them through more than 15 years of rapid economic growth. In this one sector lies much of the manufacturing export "miracle" of Malaysia, Singapore, Korea, Taiwan, and to a lesser extent Hong Kong (which instead became the service center for export platform production in southern China). Table 3 highlights the dramatic shift in exports from primary commodities to labor-intensive sectors, including apparel and textiles, but especially electronics components and machinery.

Table 3 also highlights the fallacy of the argument that import substitution rather than export promotion was the key to East Asia's success. Korea, and to a lesser extent Taiwan, Indonesia, and Malaysia, have combined the export-promotion strategy with an import-substitution strategy. Korea, for example, spent considerable effort fostering heavy industry, such as steel and chemicals, behind protectionist barriers. But the protected sectors, by and large, have played a small direct role in export success and have not become the export champions. They have apparently also not even played a large role as inputs into the export sectors. Korea's electronics boom did not rely on its steel and chemicals. The connection between protectionism and export success is equally tenuous in Malaysia and Indonesia.

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TABLE 3 COMPOSITION OF ASIAN EXPORTS, 1970 AND 1994

ECONOMY	YEAR	PRIMARY PRODUCTS	TEXTILES AND OTHER LABOR-INTENSIVE ITEMS	ELECTRONICS AND MACHINERY	OTHER MANUFACTURES
INDONESIA	1970	98.6%	0.2%	0.0%	1.2%
	1994	60.7	22.8	4.8	11.7
MALAYSIA	1970	94.7	0.9	1.0	3.4
	1994	29.4	8.3	44.4	17.9
SINGAPORE	1970	71.2	6.8	8.0	14.0
	1994	17.1	4.9	57.7	20.3
SOUTH KOREA	1970	35.2	39.6	6.3	18.9
	1994	8.1	22.2	34.5	35.2
THAILAND	1970	94.0	1.4	0.1	4.5
	1994	31.1	23.8	27.7	17.4

SOURCE: *Emerging Asia: Changes and Challenges*

The underlying assumption of the flying geese approach is that the sophistication of domestic production will move forward one position at a time. That is, a country assembling shoes is not likely to get stuck at that stage; experience, education, and further physical investment will lead from footwear to simple electronics assembly and from there to more sophisticated consumer goods and then to automotive components, heavy machinery, and perhaps on to high-technology goods. Critics of the labor-intensive exports strategy charge that it is a dead end. They are probably correct that EPZ production alone does not guarantee a foothold on the next rung on the ladder. But all the early East Asian export-platform graduates—Hong Kong, Korea, Singapore, Taiwan—were able to develop higher levels of local technology and sophistication, typically continuing to rely on joint ventures and strategic alliances with more sophisticated multinational firms. Acer cut its teeth on computer production under license for U.S. brands; Samsung went from chip assembly to global leadership in 64K random access memory chip production allied with IBM and other electronics leaders.

THE CHALLENGES OF GOVERNANCE

THE EMPHASIS here is on the industrial component of the overall growth nexus, since it is crucial and has been poorly understood by outside observers. Consider the debate over industrial policy. All of the successful East Asian countries shared a common industrial policy:

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promotion and support of labor-intensive exports. It involved picking winners, at least in the narrow sense of recognizing early on that electronics assembly operations could provide a strong impetus to growth and were therefore worth attracting through special zones, tax holidays, and other investment incentives. (It is truer to say that the electronics "winners," like Texas Instruments, Hewlett-Packard, and Intel, picked Asia, rather than the other way around.) Traditional industrial policies based on import substitution to promote heavy industry were also carried out, but not in all the successful countries. To the extent these policies brought any net benefits—and it is far from clear that they did—their success was limited to Japan, Taiwan, and Korea.

Asia has achieved rapid growth *despite* severe limitations in its institutions. The most general challenge facing the region is the creation of systems of governance and law beyond the export platforms that are consistent with the needs of sophisticated, high-income economies. In much of Asia, the rule of law remains weak. Strong central governments control powerful and politicized bureaucracies that can override local interests, the judiciary, and even private property rights. Unsurprisingly, much of Asia, including some of its fastest-growing countries, ranks very poorly on international opinion surveys regarding the extent of corruption and bribery. Far from greasing the wheels of commerce, corruption was a factor in the weak financial market regulation that contributed to this year's currency crises. A recent empirical study by Shang-Jin Wei of Harvard University found that Asian corruption greatly discourages foreign direct investment, equivalent to a tax on multinational firms of 20 percent or more.[3] Local governments are also weak, unable to address urgent infrastructural and regulatory challenges. The *Emerging Asia* study documented that tens of billions of dollars in environmental degradation takes place every year in Asia's megacities due to extreme but remediable levels of pollution and congestion.

The challenge of governance will be most acute in the two mega-states. China faces severe and growing strains on a centralized political system that for more than two millennia has been predicated on a

[3]Shang-Jin Wei, "How Taxing Is Corruption on International Investors?" NBER Working Paper No. 6030, 1997.

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largely sedentary peasant population. The very underpinning of Chinese statecraft is called into question by the social dynamism and geographic mobility of modern Chinese society. The share of the Chinese population engaged in agriculture has declined rapidly from around 70 percent in 1980 to below 55 percent today. On the other hand, the proportion of the labor force on the move within China has burgeoned to almost unimaginable (and still undocumented) proportions. An estimated 100 to 150 million are migrating within the country, mainly from countryside to urban areas and from the interior to the coasts, which offers profound advantages for export-based activity. Local governments and transport infrastructure have been overwhelmed by these population movements. Similarly, social systems are breaking down, since they too were predicated on an immobile population locked into villages or into centrally planned state enterprises that expected and guaranteed lifetime employment.

The challenge is to create systems of law consistent with high-income economies.

China will have to struggle with privatization, banking reform, and legal modernization, as well as the daunting challenges of environmental degradation, wide regional inequalities, pervasive corruption, and profoundly inadequate infrastructure. There is a path ahead, based as in the rest of Asia on the proposition that institutional upgrading must proceed in step with economic development. In the final analysis, however, sustained economic development will depend on the ability of China's political system to move beyond traditional models of statecraft.

India came late to the process of global integration and market reform. While its economy was never subjected to the extreme versions of socialism practiced in the Soviet Union and China, the much milder form of Indian socialism held economic growth in check for nearly four decades. Until 1991, economic life was tied up in a mind-numbing and corrupt system of licenses and government approvals for investments, imports, exports, employment, land purchases, hiring and dismissals, and virtually every other aspect of economic activity—the so-called License Raj. When a balance-of-payments crisis threatened India in mid-1991, the system finally cracked, with Nehruvian socialism succumbing to history in the same year as the Soviet Union. Since then, a

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considerable portion of the License Raj has been dismantled, and India's economic growth has increased to more than six percent per year.

Like China, India is in a complex and gradual transition from socialism to markets, from traditional political structures to those needed for a rapidly growing economy. India has the vast advantage over China of a constitutional order predicated on federalism, democratic legitimacy, and the rule of law. The problems in India lie in specific practices. While India is under the rule of law, the laws are often terrible and antiquated. Federalist arrangements purportedly give the states broad authority to carry out regional policies, but in almost every policy area, ranging from land use to labor rights to trade to infrastructure development, a morass of relations between the central government and the states can stall necessary actions for years.

The remarkable period since mid-1996, when the once-dominant Congress Party lost its governing majority, suggests reasonable prospects for further reform. A short-lived government led by the Hindu-nationalist Indian People's Party (BJP) committed itself to continued economic liberalization and market reforms, albeit with a nationalist rhetorical stance. The BJP government was followed by a United Front coalition government, in which a remarkably disparate group of centrists and leftists committed to a "minimum program" of continued market reform. As a result of these twists and turns, nearly every major political group in India has committed itself programmatically to market reforms. Prospects for sustained economic growth of six percent or more per year (roughly four percent or more per capita) in the next few years seem a reasonable bet.

AN ASCENDANT ASIA AND THE WEST

IN A FUNDAMENTAL sense, the system of market capitalism, which first appeared in Western Europe, has finally become a global—and in particular, Asian—instrument of economic development. Asia has demonstrated that it can mold capitalist institutions into a vehicle for rapid economic catch-up. The implications of a more globally balanced economic prosperity will be profound and require sustained analysis. The West today represents around 45 percent of world GDP, although it has just 13 percent of the world's population. According to the baseline

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estimates that underlie the growth projections in Table 1, continued economic success in Asia, in the context of an open, market-based world economy, is likely to reduce the West's share of world income to around 30 percent, while Asia's share could well rise above half. Much of the force behind this shift is the reasonable expectation that three of the four largest countries—China, India, and Indonesia—together comprising 40 percent of the world's population, could achieve per capita growth rates of 5 percent or more for the next three decades. In this forecast, Asia's share of world income happens to rise to 58 percent, just about the same share that Asia had in 1820, at the outset of the Industrial Revolution. Over two centuries of economic development, Asia's share of world income slid until 1950, but it will probably continue to rise through 2025.

Perhaps the wisest observations about this possibility were voiced 222 years ago by Adam Smith, who noted that the discovery of the sea passage between Western Europe and Asia came at a time of unprecedented European military advantage over the Asians, so that the Europeans "were enabled to commit with impunity every sort of injustice in those remote countries." But increased trade itself would be the vehicle for raising the incomes and thereby the political defenses of the Asian powers: "Hereafter . . . the inhabitants of all the different quarters of the world may arrive at that equality of courage and force which, by inspiring mutual fear, can alone overawe the injustice of independent nations into some sort of respect for the rights of one another. But nothing seems more likely to establish this equality of force than the mutual communication of knowledge and all sorts of improvements which an extensive commerce . . . carries along with it." The reemergence of Asia in the world economy will be an opportunity for mutual gain and a more balanced international system. This is the time for the Western nations to work for long-term interests by encouraging Asia to rejoin a world economic system based on commitments to the international rule of law, political and economic freedom, and open opportunities for trade and development by all countries that subscribe to shared international values.

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EMU and International Conflict

Martin Feldstein

MONNET WAS MISTAKEN

TO MOST Americans, European economic and monetary union seems like an obscure financial undertaking of no relevance to the United States. That perception is far from correct. If EMU does come into existence, as now seems increasingly likely, it will change the political character of Europe in ways that could lead to conflicts in Europe and confrontations with the United States.

The immediate effects of EMU would be to replace the individual national currencies of the participating countries in 2002 with a single currency, the euro, and to shift responsibility for monetary policy from the national central banks to a new European Central Bank (ECB). But the more fundamental long-term effect of adopting a single currency would be the creation of a political union, a European federal state with responsibility for a Europe-wide foreign and security policy as well as for what are now domestic economic and social policies. While the individual governments and key political figures differ in their reasons for wanting a political union, there is no doubt that the real rationale for EMU is political and not economic. Indeed, the adverse economic effects of a single currency on unemployment and inflation would outweigh any gains from facilitating trade and capital flows among the EMU members.[1]

The 1992 Maastricht Treaty that created the EMU calls explicitly for the evolution to a future political union. But even without that

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specific treaty language, the shift to a single currency would be a dramatic and irreversible step toward that goal. There is no sizable country anywhere in the world that does not have its own currency. A national currency is both a symbol of sovereignty and the key to the pursuit of an independent monetary and budget policy. The tentative decision of the 15 European Union (EU) member states (with the exceptions of Denmark and the United Kingdom), embodied in the Maastricht Treaty, to abandon their national currencies for the euro is therefore a decision of fundamental political significance.

For many Europeans, reaching back to Jean Monnet and his contemporaries immediately after World War II, a political union of European nations is conceived of as a way of reducing the risk of another intra-European war among the individual nation-states. But the attempt to manage a monetary union and the subsequent development of a political union are more likely to have the opposite effect. Instead of increasing intra-European harmony and global peace, the shift to EMU and the political integration that would follow it would be more likely to lead to increased conflicts within Europe and between Europe and the United States.

What are the reasons for such conflicts? In the beginning there would be important disagreements among the EMU member countries about the goals and methods of monetary policy. These would be exacerbated whenever the business cycle raised unemployment in a particular country or group of countries. These economic disagreements could contribute to a more general distrust among the European nations. As the political union developed, new conflicts would reflect incompatible expectations about the sharing of power and substantive disagreements over domestic and international policies. Since not all European nations would be part of the monetary and political union, there would be conflicts between the members and nonmembers within Europe, including the states of Eastern Europe and the former Soviet Union.

Conflicts would also develop between the European political union and non-European nations, including the United States, over issues of

[1]I have discussed the economic costs and benefits of EMU for Europeans in "The Case Against EMU," *The Economist*, June 13, 1992, pp. 12-19, and in "The Political Economy of the European Economic and Monetary Union: Political Sources of an Economic Liability," *Journal of Economic Perspectives*, Fall 1997, forthcoming.

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foreign policy and international trade. While disagreements among the European countries might weaken any European consensus on foreign affairs, the dominant countries of the EU would be able to determine the foreign and military policies for the European community as a whole. A political union of the scale and affluence of Europe and the ability to project military power would be a formidable force in global politics.

Although 50 years of European peace since the end of World War II may augur well for the future, it must be remembered that there were also more than 50 years of peace between the Congress of Vienna and the Franco-Prussian War. Moreover, contrary to the hopes and assumptions of Monnet and other advocates of European integration, the devastating American Civil War shows that a formal political union is no guarantee against an intra-European war. Although it is impossible to know for certain whether these conflicts would lead to war, it is too real a possibility to ignore in weighing the potential effects of EMU and the European political integration that would follow.

THE POLITICS AND ECONOMICS OF MONETARY POLICY

THE MOST direct link between EMU and intra-European conflicts would be disagreement about the goals and methods of monetary policy. The Maastricht Treaty established the ECB and transfers all responsibility for monetary policy after the start of EMU from individual national central banks to the ECB. The ECB alone would control the supply of euros and set the short-term euro interest rate.

Maastricht makes price stability the primary objective of European monetary policy, paralleling the charter of Germany's Bundesbank. The treaty also provides that the ECB would be independent of all political control by the member states and by European-level political institutions. (Although the treaty states that the ECB will report to the European Parliament, this was intended to follow the Bundesbank tradition of an information report rather than any political oversight.) These conditions are very much what Germany wants for the ECB and for monetary policy. Because of its historical experience, the German public is hypersensitive on inflation and fears any monetary arrangement that does not give primacy to price stability and insulate monetary policy from political influence.

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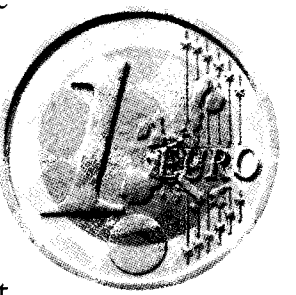
But German opinion differs sharply from the opinions about monetary policy in France and other European countries. The notion of a politically independent central bank is contrary to European traditions. Until recently, when Maastricht required all prospective EMU countries to give their central banks independence, most of the central banks of Europe reported to their ministries of finance, and the finance ministers were at least partially responsible for setting interest rates.



The French have been particularly vocal in calling for political control over monetary policy. In a televised speech just before the 1992 French referendum on the Maastricht Treaty, then-President François Mitterrand assured the French public that, contrary to the explicit language of the treaty, European monetary policy would not be under the direction of European central bankers but would be subject to political oversight that, by implication, would be less concerned with inflation and more concerned with unemployment. Mitterrand's statement was a political forecast; France recognizes that the institutions of the EMU would evolve, and continually presses for some form of political body to exert control over the ECB. It has already made considerable progress toward that end.

The December 1996 meeting of the EU Council of Ministers in Dublin emphasized that growth as well as price stability would be an explicit goal of future EMU monetary policy. It also established a new ministerial-level "stability council" described as a "complement" or a "counterweight" to the ECB. Although this body falls short of one that could exercise political control over the ECB, it marked a first French success in establishing that monetary policy should be subject to some counterweight and that growth (that is, short-run macroeconomic expansion) as well as price stability should be a goal of EMU policy. At the European summit in Amsterdam in June 1997, the newly elected French government

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of Lionel Jospin made further progress. The summit added an employment chapter to the Maastricht Treaty, emphasizing that employment is a parallel goal to price stability. More important, statements by politicians at the Amsterdam summit appear to have redefined the role of the political authorities in making exchange rate policy and, therefore, in managing monetary policy.

German opinion about inflation differs sharply from that in other European countries.

More specifically, the Maastricht Treaty divided responsibility for exchange rate policy between the ECB and the EU Economics and Finance Council, which consists of cabinet ministers of member governments, in an ambiguous way. The drafters of that part of the treaty (the German participants in particular) intended to limit ECOFIN's role to fundamental aspects of the exchange rate system and to leave to the ECB policies that cause short-run changes in the value of the euro. For example, a decision to fix the exchange rate between the euro and the Japanese yen permanently would be a decision for ECOFIN. In contrast, raising or lowering euro interest rates to increase or decrease the exchange value of the euro would be left to the ECB. Although this distinction was the German view, the French expected that ECOFIN would eventually get to give orders about short-run variations in the desired level of the euro exchange rate. The formal rules remain ambiguous, but the government leaders at the Amsterdam summit appear to have accepted a shift of responsibility for short-run exchange rate policy to ECOFIN. Since discretionary changes in nominal exchange rates can be achieved only by changes in monetary policy, this shift would establish a much more fundamental role for ECOFIN, a political body, in the making of monetary policy.

One further recent development relating to the independence of the ECB is noteworthy. Members of the key monetary policy committee of the European Parliament have called for a role for the parliament in supervising the ECB, including its interest rate policies. They have specifically pointed to congressional oversight of the U.S. Federal Reserve as a possible model for such supervision. Although this arrangement may strike a reasonable balance between independence and accountability, parliamentary oversight would clearly be a major

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shift from the complete independence called for in the Maastricht Treaty, and consequently an area for contention.

At present, individual European governments (especially in France and Germany) are suppressing their disagreement about the control of monetary policy to minimize the risk of political disapproval of EMU in their respective countries. But if EMU proceeds, the independence of the ECB and the goals of monetary policy will become a source of serious conflict among member countries.

INFLATION VERSUS UNEMPLOYMENT

THE ISSUE of who controls monetary policy is closely related to the question of the proper goal of monetary policy. In recent years, because of the Maastricht Treaty's requirements for entering EMU, most countries have resisted the temptation to use monetary policy to reduce unemployment and have followed the Bundesbank in keeping inflation rates below three percent. But once the disciplining example of the Bundesbank is eliminated and monetary policy is made by an ECB in which all member countries vote equally, there is a strong risk that the prevailing sentiment will be for higher inflation. Over the past 12 months, international financial markets have anticipated that outcome by depressing the value of the deutsche mark, the French franc, and the other European currencies that move with them by 25 percent relative to the dollar and the yen.

If the German public sees the inflation rate rise under EMU, it will become increasingly antagonistic toward the EMU arrangement and toward the countries that vote for inflationary monetary policy. Moreover, since an inflationary monetary policy would lower unemployment only temporarily (while leaving the inflation rate permanently higher), the persistence of high unemployment would lead to political pressure for recurring rounds of expansionary monetary policy, causing continuing dissatisfaction among the anti-inflationary countries.

Countries that are more concerned about unemployment than inflation might nevertheless be critical of the ECB for not pursuing an even more aggressive expansionary policy. Although countries have been properly reluctant to attempt such policies in recent years, they can regard their decisions not to do so as decisions they made themselves.

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But with a single currency, such governments would suffer the frustration of not being able to decide for themselves and of being forced to accept the common monetary policy created by the ECB.

This general conflict about the governance and character of monetary policy would be exacerbated whenever a country experienced a decline in exports or other type of decline in aggregate demand that led to a cyclical increase in unemployment. The shift to a single currency would mean that the fall in demand in a country could not be offset, as it could be with an individual national currency, by an automatic decline in the exchange value of the currency (making its exports more competitive) and a decline in its interest rates (increasing domestic interest-sensitive spending by households and businesses) or by using its own monetary policy to shift interest rates and exchange rates. The ECB would have to make monetary policy with a view to the conditions in all of Europe, not just a particular country or region. The result would be a conflict between the country with rising unemployment and the rest of the EU.

TAXES AND TRANSFERS

WITHOUT THE automatic countercyclical response of financial markets and the ability to use monetary policy to offset a decline in demand, European governments would want to use tax cuts and increases in government outlays to stimulate demand and reverse cyclical increases in unemployment. But the "stability pact" that was adopted under pressure from Germany tells governments that they cannot run fiscal deficits above three percent of GDP after the start of EMU. This restriction creates an important source of tension between countries with cyclical unemployment increases and the other members of the monetary union. The decision at the 1997 Amsterdam summit to weaken the application of financial penalties for violating this deficit ceiling would undoubtedly encourage more violations and, therefore, more quarrels about "irresponsible" fiscal policies.

Since national monetary and fiscal policies would be precluded, the most likely outcome of the shift to a single monetary policy would be the growth of substantial transfers from the EU to countries that experience cyclical increases in unemployment. Financing

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those transfers would require a significant increase in tax revenues collected by the EU.

The debates about how large such transfers should be and how the taxes to finance them should be collected would exacerbate the more general disagreement that will inevitably arise as the union seeks to restrict the level and structure of the taxes that individual countries may levy. The European Commission is already trying to get countries to move toward more coordination of their domestic tax policies on the grounds that existing differences in tax rates and rules create competitive advantages for some countries. The shift to a single currency would increase the pressure for tax harmonization. As general responsibility for economic policy shifts from national capitals to the European Commission, the European tradition of focusing taxing authority at a single level would be likely to lead to a shift of the exclusive taxing power from the national to the European level. The EU will therefore be disregarding national preferences about redistribution, the size of government, and the structure of taxes. While the pressures for such coordination might be overwhelming once a single currency has been adopted, the loss of national control over taxes and transfers would be another serious source of irritation within the EU.

LONG-TERM UNEMPLOYMENT

As THE decisions shift away from national governments, it will become harder to reach agreement on policy changes to deal with the high unemployment due to excessive regulation and social welfare payments. The shift of policy decisions from national governments to the European level would eliminate the ability to learn from the experiences of individual countries that try different policies and to benefit from the competitive pressures to adopt national policies that succeed. Moreover, the changes in labor market rules and social benefits that have been proposed by certain national governments are now being opposed not only by labor unions within the individual countries but also by other European governments that fear the resulting gains in competitiveness. Thus we hear of opposition to "social dumping" when an inefficient enterprise is closed and witness the imposition of a Europe-wide limit on the number of hours that

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employees can work. A politically more unified Europe would make it easier to enforce policies that prevent changes in national labor laws or national transfer payments that would reduce structural unemployment and increase national competitiveness.

If EU legislation succeeds in preventing member countries from competing with each other, they will collectively become less able to compete with the rest of the world. The result would undoubtedly be pressure for increased EU trade barriers, justified by reference to differences in social policy between Europe and other countries. European imposition of such protectionist policies would undermine the entire global trading system and create serious conflicts with the United States and other trading partners.

INCOMPATIBLE EXPECTATIONS

AS THE monetary union evolves into a more general political union, conflicts would arise from incompatible expectations about the sharing of power. France sees EMU and the resulting political union as a way of becoming a comanager of Europe and an equal of Germany, which has nearly 50 percent more people. In the economic sphere, the current domination of European monetary policy by the Bundesbank would be replaced by that of the ECB, in which France and Germany would sit and vote as equals. As the French contemplate the eventual membership of the economic and political union, they may also hope that their natural Mediterranean allies, Italy and Spain, will give France a decisive influence on European policies. And the skillful international French civil servants might come to dominate the administration of the European government.

Germany's expectations and aspirations are more difficult to interpret. Some German leaders no doubt believe, as Chancellor Helmut Kohl frequently says, that joining a political union improves the prospects for peace by "containing a potentially dangerous Germany within Europe." Other Germans are no doubt less self-sacrificing and simply disagree with the French assessment of the consequences of greater economic and political integration. They see Germany as the natural leader within the EU because of its economic weight, military capability, and central location in an EU that will soon include Poland,

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the Czech Republic, and Hungary. As Kohl has said, not without ambiguity, "Germany is our fatherland, but Europe is our future."

What is clear is that a French aspiration for equality and a German expectation of hegemony are not consistent. Both visions drive their countrymen to support the pursuit of EMU, and both would lead to disagreements and conflicts when they could not be fulfilled.

France aspires to equality, but Germany expects hegemony.

The aspirations of the smaller countries to have a seat at the table may be frustrated. As the EU expands from 15 current members to include at least 6 more countries of Eastern Europe, the role that smaller countries will be allowed to play will become more and more limited. Current EU voting rules will give way to weighted voting arrangements in which the larger countries have a predominant share of the votes. This change will frustrate countries that recognize that they have sacrificed the ability to control their own domestic policies and their own foreign relations without having received in exchange an effective say in Europe's policies.

This loss of sovereignty would affect not just monetary and tax policies but a wide range of current domestic policies that will gradually come under the jurisdiction of the European Commission or European Parliament. Rule-making by the European Commission reached a crescendo in 1994 with edicts about such things as the quality of beer and the permissible shape of imported bananas. A fear that complaints about bureaucratic meddling could jeopardize approval of the Maastricht Treaty in national referendums led to a reduction in rule-making by the Brussels bureaucracy and a rhetorical emphasis on Maastricht's principle of "subsidiarity," which asserts that activities will be assigned to whatever level of government is most appropriate—European, national, or local. There is, however, little reason to believe that this vague principle will do much to restrain the substitution of Brussels rules or Strasbourg legislation for what are now domestic policies. Even the Tenth Amendment to the U.S. Constitution, which reserves to the states (or to the people) any powers not delegated to the national government, has not prevented the shift of power to the national government

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over an enormous range of local issues, such as speed limits on local roads and the age at which individuals may consume alcohol.

A EUROPEAN MILITARY AND FOREIGN POLICY

THE COLLAPSE of the Soviet Union has changed the basis for European foreign policy and military collaboration. Although the United States and the countries of Western Europe have had an extremely close alliance since the end of World War II and continue to coordinate military efforts within the NATO structure, many Europeans in positions of responsibility see their economic interests and foreign policy goals differing from those of the United States with respect to many parts of the world, including Eastern Europe, the Middle East, Africa, and even Latin America. The French and German governments also want to develop an independent military capability that can operate without U.S. participation or consent.

Although the European nations could now more readily pursue an independent foreign policy and military strategy, they are clearly hampered in doing so effectively by the decentralized political structure of Europe. Chancellor Konrad Adenauer summarized the situation in stark terms for French Foreign Minister Christian Pineau on the day in 1956 when England and France gave in to American pressure to abandon their attack on the Suez Canal: "France and England will never be powers comparable to the United States and the Soviet Union. Nor Germany, either. There remains to them only one way of playing a decisive role in the world; that is to unite to make Europe. England is not ripe for it but the affair of Suez will help to prepare her spirits for it. We have no time to waste: Europe will be your revenge."[2] That was a year before the Treaty of Rome launched the Common Market.

The creation of a political union based on the EMU with explicit authority to develop a common foreign and defense policy would accelerate the development of an independent European military structure capable of projecting force outside Western Europe. Steps in that direction are already occurring in anticipation of the stronger political union that will follow the start of EMU. In March 1997, on

[2]Quoted in Henry Kissinger, *Diplomacy*, New York: Simon & Schuster, 1994, p. 547.

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the 40th anniversary of the Treaty of Rome, France and Germany announced their desire to see a merger of the EU with the existing European military alliance, the Western European Union, so as to strengthen the military coordination of European nations outside the NATO framework. An explicit agreement was reached with the United States that will allow the European members of NATO to use European NATO forces and equipment under European control without U.S. participation.

The attempt to forge a common military and foreign policy for Europe would be an additional source of conflict among the member nations (as well as with those outside the group). European countries differ in their national ambitions and in their attitudes about projecting force and influencing foreign affairs. An attempt to require countries like Portugal and Ireland to participate in an unwanted war in the Middle East or Eastern Europe could create powerful conflicts among the European nations.

THE RISK OF WAR

THERE IS NO doubt that a Europe of nearly 300 million people with an economy approximately equal in size to that of the United States could create a formidable military force. Whether that would be good or bad in the long run for world peace cannot be foretold with any certainty. A politically unified Europe with an independent military and foreign policy would accelerate the reduction of the U.S. military presence in Europe, weaken the role of NATO, and, to that extent, make Europe more vulnerable to attack. The weakening of America's current global hegemony would undoubtedly complicate international military relationships more generally.

Although Russia is now focusing on industrial restructuring, it remains a major nuclear power. Relations between Russia and Western Europe are important but unpredictable. Might a stronger Russia at some time in the future try to regain control over the currently independent Ukraine? Would a stronger, unified EU seek to discourage such action by force? Could that lead to war between Russia and the EU? How would a strong and unified Europe relate to other nations in the vicinity, including those of North Africa and the Middle East,

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and the Muslim states of the former Soviet Union, which are important or potential sources of energy for Western Europe?

War within Europe itself would be abhorrent but not impossible. The conflicts over economic policies and interference with national sovereignty could reinforce long-standing animosities based on history, nationality, and religion. Germany's assertion that it needs to be contained in a larger European political entity is itself a warning. Would such a structure contain Germany, or tempt it to exercise hegemonic leadership?

A critical feature of the EU in general and EMU in particular is that there is no legitimate way for a member to withdraw. This is a marriage made in heaven that must last forever. But if countries discover that the shift to a single currency is hurting their economies and that the new political arrangements also are not to their liking, some of them will want to leave. The majority may not look kindly on secession, either out of economic self-interest or a more general concern about the stability of the entire union. The American experience with the secession of the South may contain some lessons about the danger of a treaty or constitution that has no exits.

IMPLICATIONS FOR THE UNITED STATES

IF, AS SEEMS most likely, EMU does occur and does lead to a political union with an independent military and foreign policy, the United States must rethink its own foreign policy with respect to Europe. First, the United States would have an opportunity to play a new, useful role within Europe, helping to balance national pressures and prevent the inevitable conflicts from developing into more serious confrontations. The United States should therefore emphasize that it wants its relations with the individual nations of Europe to remain as strong as they are today and should not allow Brussels to intervene between Washington and the national capitals of Europe.

Second, the United States must be aware that an economically and politically unified Europe would seek a different relationship with the United States. French officials in particular have been outspoken in emphasizing that a primary reason for a European monetary and political union is as a counterweight to the influence of the United States,

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both within European and in international affairs more generally. For the French, American influence is an old issue that frustrated de Gaulle and recurs in attacks on American "cultural imperialism" and U.S. attempts to influence Europe's policies toward countries like Libya, Iraq, and Iran. Such issues would become more widespread in a powerful, independent Europe.

Finally, the United States must recognize that it would no longer be able to count on Europe as an ally in all its relations with third countries. It was safe to assume such support when conflict with the Soviet Union dominated international relations and Europe's interest in containing the Soviet Union coincided with America's. But the global configuration of relations is now more complex. And the Europeans, guided by a combination of economic self-interest, historical traditions, and national pride, may seek alliances and pursue policies that are contrary to the interests of the United States. Although this divergence may tend to happen in any case because of the apparent end of the Soviet threat, the creation of a monetary union that led to a strong political union would accelerate it. If EMU occurs and leads to such a political union in Europe, the world will be a very different and not necessarily safer place.

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Sanctioning Madness

Richard N. Haass

A ROTTEN CORE

ECONOMIC SANCTIONS are fast becoming the United States' policy tool of choice. A 1997 study by the National Association of Manufacturers listed 35 countries targeted by new American sanctions from 1993 to 1996 alone. What is noteworthy, however, is not just the frequency with which sanctions are used but their centrality; economic sanctions are increasingly at the core of U.S. foreign policy.

Sanctions—predominantly economic but also political and military penalties aimed at states or other entities so as to alter unacceptable political or military behavior—are employed for a wide range of purposes. The United States, far more than any other country, uses them to discourage the proliferation of weapons of mass destruction and ballistic missiles, promote human rights, end support for terrorism, thwart drug trafficking, discourage armed aggression, protect the environment, and oust governments.[1] To accomplish these ends, sanctions may take the form of arms embargoes, foreign assistance reductions and cutoffs, export and import limitations, asset freezes, tariff increases, import quota decreases, revocation of most favored nation (MFN) trade status, votes in international organizations, withdrawal of diplomatic relations, visa denials, cancellation of air links, and credit, financing, and investment prohibitions. Even U.S. state and local governments are introducing economic sanctions. Dozens have adopted "selective purchasing laws" that prohibit public agencies from purchasing

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RICHARD N. HAASS is Director of Foreign Policy Studies at the Brookings Institution. He was Chairman of a Council on Foreign Relations study group on economic sanctions. This article is adapted from his forthcoming book, *Economic Sanctions and American Diplomacy.*

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goods and services from companies doing business with such countries as Burma and Indonesia.

With a few exceptions, the growing use of economic sanctions to promote foreign policy objectives is deplorable. This is not simply because sanctions are expensive, although they are. Nor is it strictly a matter of whether sanctions "work"; the answer to that question invariably depends on how demanding a task is set for a particular sanction. Rather, the problem with economic sanctions is that they frequently contribute little to American foreign policy goals while being costly and even counterproductive. A recent study by the Institute for International Economics concluded that in 1995 alone, sanctions cost U.S. companies between $15 billion and $19 billion and affected some 200,000 workers. Secondary sanctions, levelled against third-party states that do not support a particular sanctions regime, add to this cost by jeopardizing the United States' trade relations. Thus, policymakers need to give more serious consideration to the impact of a sanction and weigh alternative policies more carefully.

THE SANCTIONS BOOM

ECONOMIC SANCTIONS are popular because they offer what appears to be a proportional response to challenges in which the interests at stake are less than vital. They are also a form of expression, a way to signal official displeasure with a behavior or action. They thus satisfy a domestic political need to do something and reinforce a commitment to a norm, such as respect for human rights or opposition to weapons proliferation. Reluctance to use military force is another motivation. As the National Conference of Catholic Bishops points out, "Sanctions can offer a nonmilitary alternative to the terrible options of war or indifference when confronted with aggression or injustice."

The frequency with which the United States uses sanctions is also a result of the increased influence, especially on Congress, of single-issue constituencies, notably those promoting human rights, envi-

[1]Excluded here are sanctions introduced to ensure market access or compliance with trade pacts. Economic sanctions for economic purposes tend to be used pursuant to the rules that guide trade. By contrast, economic sanctions for political purposes work in the absence of any agreed-on political or legal framework.

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ronmentalism, or ethnic, religious, or racially oriented causes. The media, too, plays a part. The so-called CNN effect can increase the visibility of problems in another country and stimulate Americans' desire to respond. Sanctions offer a popular and seemingly cost-free way of acting. The end of the Cold War and the demise of the Soviet Union have also contributed to the sanctions boom. Sanctions can now usually be introduced without opposition from Moscow, which in the past meant a veto in the U.N. Security Council or a Soviet subsidy for a target of U.S. sanctions.

Some evidence supports the efficacy of economic sanctions. One influential study concludes from analysis of more than 100 cases that economic sanctions have worked to some extent about a third of the time.[2] Other advocates are more selective in their views of history. For groups on the left, it is an article of faith that sanctions helped dismantle apartheid, just as the right argues that sanctions played a major role in the demise of the "evil empire."

Under the right circumstances, sanctions can achieve, or help achieve, various foreign policy goals ranging from the modest to the fairly significant. Sanctions introduced against Iraq after the Persian Gulf War have increased Iraqi compliance with U.N. resolutions calling for the elimination of its weapons of mass destruction. They have also diminished Baghdad's ability to import weapons and related technology. Iraq today is considerably weaker militarily and economically than it would have been without these sanctions.

Sanctions were one reason for the Serbs' decision to accept the Dayton agreement in August 1995 ending the fighting in Bosnia. The threat of sanctions may have also deterred several European firms from investing in Iran's oil and gas industry. Sanctions have burdened the economies of Iran, Cuba, and Libya, and may eventually contribute to change in those societies or in their behavior. U.S. sanctions

[2] Gary Clyde Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered: History and Current Policy*, 2nd ed., Washington: Institute for International Economics, 1990. This relatively positive assessment is hotly disputed on the grounds that the authors were overly generous in judging what constitutes "success" and in not properly disaggregating the effects of sanctions from the impact of the threat or use of military force. See Robert A. Pape, "Why Economic Sanctions Still Do Not Work," *International Security*, Fall 1997, pp. 90-136.

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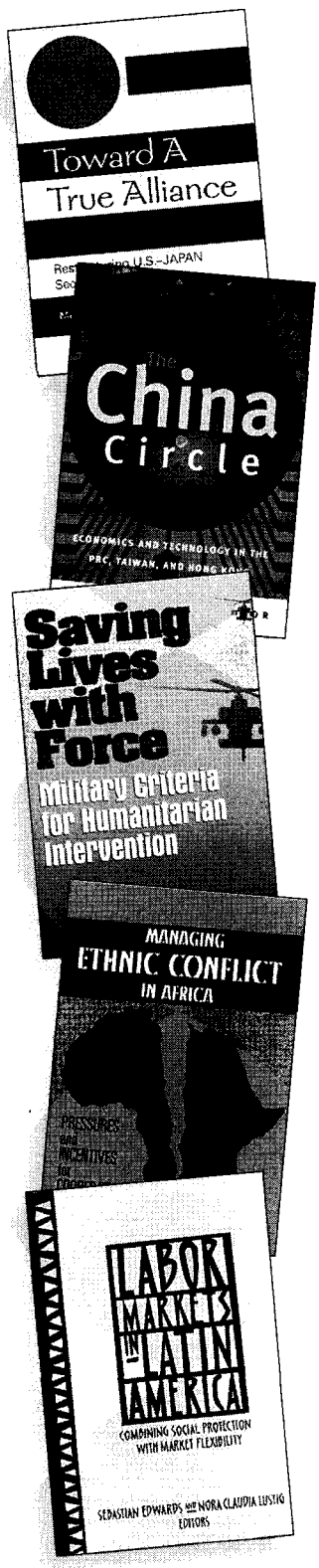
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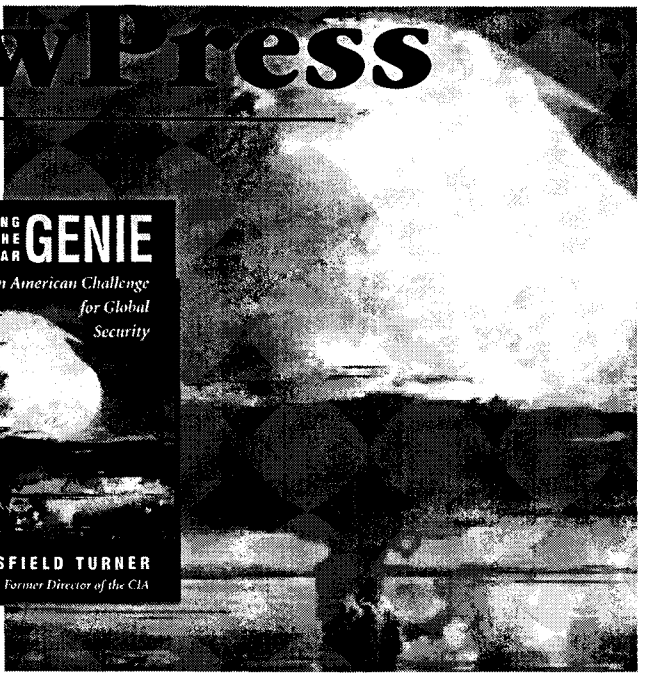

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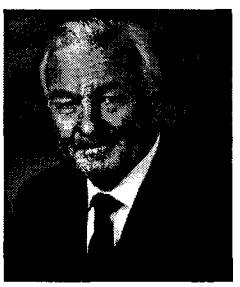

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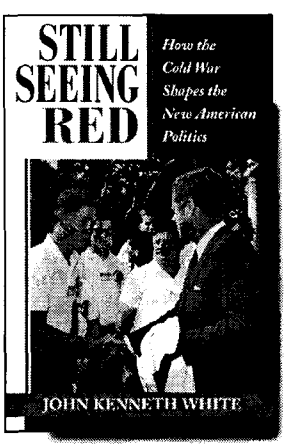

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against Pakistan, while having little discernible effect on that country's nuclear weapons program, have hurt Islamabad both economically and militarily, possibly influencing Pakistan's future actions as well as those of other would-be proliferators.

MORE HARM THAN GOOD

THE LIMITATIONS of sanctions are more pronounced than their accomplishments. Sanctions alone are unlikely to achieve results if the aims are large or time is short. Even though they were comprehensive and enjoyed almost universal international backing for nearly six months, sanctions failed to compel Saddam Hussein to withdraw from Kuwait in 1990. In the end, it took nothing less than Operation Desert Storm.

Other sanctions have also fallen short of their stated purposes. Despite sanctions against Iran, Tehran remains defiant in its support of terrorism, its subversion of its neighbors, its opposition to the Middle East peace process, and its pursuit of nuclear weapons. Fidel Castro still commands an authoritarian political system and a statist economy. Pakistan's nuclear program is well advanced; it now has enough material for at least a dozen bombs. Libya has refused to hand over the two individuals accused of destroying Pan Am Flight 103 over Lockerbie, Scotland. Sanctions did not persuade Haiti's junta to honor the results of the 1990 election that brought Jean Bertrand Aristide to power, nor did they convince Serbia and the Bosnian Serbs for several years to call off their military aggression. Unilateral sanctions are particularly ineffective. In a global economy, unilateral sanctions impose higher costs on American firms than on the target country, which can usually find substitute sources of supply and financing. Unilateral sanctions did, however, prove more costly for Haiti and Cuba, which were heavily dependent on trade with the United States. They also hurt Pakistan, which had been receiving substantial U.S. military and economic aid. Such cases are the exception, though; most unilateral sanctions will be little more than costly expressions of opposition except in those instances in which the ties between the United States and the target are so extensive that the latter cannot adjust to an American cutoff.

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Generating international support for sanctions is often extremely difficult. In most instances, other governments prefer minimal sanctions, or none at all. They tend to value commercial interaction more than the United States does and are less willing to forfeit it. In addition, the argument that economic interaction is desirable because it promotes more open political and economic systems normally has more resonance in other capitals, although it has been used successfully by both the Bush and Clinton administrations to defeat Congress' attempts to revoke China's MFN status. Such thinking makes achieving multilateral support for sanctions more difficult for the United States. It usually takes something truly egregious, like Saddam Hussein's occupation of Kuwait, to overcome this anti-sanctions bias. Even with Iraq, generous compensation for third-party states affected by the sanctions, including Egypt and Turkey, was a prerequisite for their support.

Trying to compel others to join a sanctions regime by threatening secondary sanctions can seriously harm U.S. foreign policy interests. Congress is increasingly turning to secondary sanctions to bolster ineffective unilateral sanctions regimes, as with Cuba, Iran, and Libya; in all three instances, sanctions now apply to overseas firms that violate the terms of U.S. legislation like the Iran-Libya Sanctions Act and Helms-Burton Act. This threat appears to have deterred some individuals and firms from entering into proscribed business activities, but it has increased anti-American sentiment, threatened the future of the World Trade Organization (WTO), distracted attention from the provocative behavior of the target governments, and made Europeans less likely to work with the United States in shaping policies to contend with post–Cold War challenges.

MISSING THE TARGET

SANCTIONS OFTEN produce unintended and undesirable consequences. Haiti is a prime example. Sanctions exacerbated the island's economic distress, causing a massive exodus of Haitians to the United States that proved life-threatening for them and expensive and disruptive for Florida. In Bosnia, the arms embargo weakened the Muslims, since Bosnia's Serbs and Croats had larger stores of military supplies and greater access to outside sources. This military imbalance contributed to

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the fighting and to the disproportionate Muslim suffering. Military sanctions against Pakistan may actually have increased Islamabad's reliance on a nuclear option because they cut off its access to U.S. weaponry and dramatically weakened Pakistan's confidence in Washington.

All this demonstrates that sanctions can be a blunt instrument. Most sanctions do not discriminate within the target country. There is a rationale for this: funds and goods can easily be moved around, and governments can often command what is in the hands of others. The problem with such a broad-brush approach is that sanctions tend to affect the general population, while those in the government and the military are able to skirt the sanctions.

Thus, the tendency to see economic sanctions as "below" the use of military force on some imagined ladder of foreign policy escalation must be revised. Sanctions can be a powerful and deadly form of intervention. The danger inherent in broad sanctions—beyond missing the true target—is both moral, in that innocents are affected, and practical, in that sanctions that harm the general population can bring about undesired effects, including strengthening the regime, triggering large-scale emigration, and retarding the emergence of a middle class and a civil society. Mass hardship can also weaken domestic and international support for sanctions, as with Iraq, despite the fact that those sanctions have included from the outset a provision allowing Iraq to import humanitarian goods and services.

"NOT-SO-SMART" SANCTIONS

"SMART" OR "designer" sanctions, which penalize leaders while sparing the general public, are only a partial solution. It is possible that Haiti's military leaders were bothered by the fact their families could no longer shop in Florida. And executives who risk being denied access to the United States under the 1996 Helms-Burton act may think twice before entering into proscribed business deals. But opportunities to employ effective sanctions with precision are rare. Gathering the necessary information about assets, and then moving quickly enough to freeze them, can often prove impossible. Leaders and governments have many ways to insulate themselves, and designing "smart" sanctions to target only them is extraordinarily difficult,

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especially with a totalitarian or authoritarian state run by a few people.

In addition, authoritarian, statist societies are often able to hunker down and withstand the effects of sanctions. There are several possible reasons: sanctions sometimes trigger a "rally around the flag" nationalist reaction; by creating scarcity, they enable governments to better control the distribution of goods; and they create a general sense of siege that governments can exploit to maintain political control. This conclusion is consistent with literature suggesting that market economic reform reinforces the development of civil society; by reducing the scope for independent action, sanctions can work against forces promoting political pluralism.

Last, but far from least, sanctions can be expensive for American business. There is a tendency to overlook or underestimate the direct costs of sanctions, perhaps because, unlike the costs of military intervention, they do not show up in U.S. government budget tables. Sanctions do, however, affect the economy by reducing revenues of U.S. companies and individuals. Moreover, this cost is difficult to measure because it includes not only lost sales but also forfeited opportunities: governments and overseas companies can elect not to do business with the United States for fear that sanctions might one day be introduced, wreaking havoc with normal commercial relations.

TAKING SANCTIONS SERIOUSLY

A FUNDAMENTAL change in thinking and attitude is required. Economic sanctions are a serious instrument of foreign policy and should be employed only after consideration no less rigorous than for other forms of intervention, including the use of military force. The likely benefits of a particular sanction to U.S. foreign policy should be greater than the anticipated costs to the U.S. government and the American economy. Moreover, the sanction's likely effect on U.S. interests should compare favorably to the projected consequences of all other options, including military intervention, covert action, public and private diplomacy, or simply doing nothing. Broad sanctions should not be used as a means of expression. Foreign policy is not therapy; its purpose is not to make us feel good but to do good. The same holds for sanctions.

For pragmatic more than normative reasons, multilateral support for

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economic sanctions should typically be a prerequisite for the United States' imposition of them. Such support need not be simultaneous, but it should be all but certain to follow. Except when the United States is in a unique position to exert leverage based on its economic relationship with the target, unilateral sanctions should be avoided. Building international support will require intense, often high-level diplomatic efforts and even then may not succeed. Policymakers must then consider whether some alternative would not be better than weaker or unilateral sanctions.

> The purpose of sanctions is not to make us feel good but to do good.

International compliance with sanctions regimes can be increased by providing assistance to third parties to offset the economic cost of implementing sanctions. Greater use should be made of Article 50 of the U.N. Charter, which allows such states to approach the Security Council for redress. In addition, a fund for this purpose should be established within the U.S. foreign assistance budget. The cost would be more than offset by the benefits of multilateral cooperation.

By contrast, secondary sanctions are not a desirable means of securing multilateral support. They are not only an admission of diplomatic failure but they are also expensive. The costs to U.S. foreign policy, including the damage to relations with major partners and U.S. efforts to build an effective WTO, almost always outweigh the potential benefits of coercing unwilling friends to join sanctions regimes.

Sanctions should focus, as far as possible, on those responsible for the offending behavior and on limiting penalties to the particular area of dispute. Such limited sanctions would avoid jeopardizing other interests or an entire bilateral relationship. They would cause less collateral damage to innocents, and make it easier to garner multinational support. Sanctions designed to stem the proliferation of weapons of mass destruction are a prime example. Where there are transgressions, the United States should direct any sanctions toward nuclear or weapons-related activity, for example by cutting off associated technological cooperation or trade. Similarly, political responses such as event boycotts and visa denials might be the best way to signal opposition to objectionable behavior when no appropriate

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economic or military sanction is available or as a complement to something as specific as freezing an individual's assets. Political sanctions should not, however, extend to breaking diplomatic relations or canceling high-level meetings. Such interactions help the United States as much as the targeted party.

Sanctions should not hold major or complex bilateral relationships hostage to one or two issues. This is especially true with a country like China, where the United States has to balance interests that include maintaining stability on the Korean peninsula, discouraging any support for "rogue" states' weapons of mass destruction or ballistic missile programs, managing the Taiwan-China situation, and promoting trade, market reform, and human rights. Similarly, the United States has a range of interests with Pakistan that go well beyond nuclear matters, including promoting democracy, economic development, and regional stability. The principal alternative to broad sanctions in such instances is sanctions that are narrow and germane to the issue at hand. With Pakistan, for example, sanctions could focus on specific defense articles and technologies but exempt all economic assistance and military education and training.

Humanitarian exceptions should be part of any comprehensive sanctions regime. In part this is a moral judgment, that innocents should not be made to suffer any more than is absolutely necessary. But it is also pragmatic, since it is easier to generate and sustain domestic and international support for sanctions that allow the importation of food and medicine. Sanctions, however, should not necessarily be suspended if the humanitarian harm is the direct result of cynical government policy, such as Iraq's, that creates shortages among the general population in order to garner international sympathy.

Any imposition of sanctions should be swift. As with other forms of intervention, including military action, gradual escalation allows the target to adapt and adjust. Such an approach forfeits shock value and allows asset shifting, hoarding, and other arrangements to circumvent sanctions—as Libya and Iran found. This recommendation is easier said than done, since gaining international support for sanctions will in many cases require that the United States move slowly

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and gradually, further limiting the potential effectiveness of economic sanctions in today's world.

GETTING IT RIGHT

RESTRAINT WILL not materialize by itself. Policymakers should be required to prepare and send to Congress a policy statement similar to the reports prepared and forwarded under the 1973 War Powers Act before or soon after a sanction is put in place. Such statements should clearly explain the sanction's purpose, the legal or political authority supporting its use, the expected impact on the target, retaliatory steps the target or third parties may take, the probable humanitarian consequences and what is being done to minimize them, the expected costs to the United States, prospects for enforcement, the expected degree of international support or opposition, and an exit strategy, including the criteria for lifting the sanction. In addition, policymakers should be able to explain why a particular sanction was selected over other sanctions or policies. If necessary, portions of this report could be classified to avoid providing information that would be useful to the target. Any sanction Congress initiates should be approved only after the relevant committees have carefully considered the matter; members being asked to vote on the proposal would then be able to refer to a report that addresses their questions.

All sanctions embedded in legislation should allow the president to suspend or terminate them in the interest of national security. Beyond being consistent with the Constitution's bias in favor of executive primacy in foreign affairs, such latitude is needed if relationships are not to fall hostage to one interest and if the executive is to have the flexibility to explore whether limited incentives could bring about a desired policy result. The benefits of this latitude outweigh any diminution of automatic sanctions' deterrent power. Current legislation that mandates sanctions in specific circumstances should be repealed or modified.

The federal government, together with affected firms, should challenge in court states' and municipalities' right to institute economic sanctions against companies and individuals operating in their jurisdiction. This practice is eliciting protests not just from the targeted countries but from the European Union, which argues convincingly that such sanctions violate commitments made by the U.S. government

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to the World Trade Organization. The Constitution may not settle the struggle between the executive and legislative branches in foreign affairs, but it limits it to the federal branch of government.[3] State and local sanctions undermine the flexibility necessary for the executive branch to effectively carry out foreign policy. To paraphrase Justice Louis Brandeis, states may be laboratories of democracy, but not of diplomacy. Unfortunately, the Clinton administration—like the Reagan administration, which never challenged the more than 100 state and local sanctions targeting firms involved with South Africa—has chosen not to confront this issue. Beyond using the legal system, companies might consider deploying their economic power and avoid investing in states that have a history of supporting sanctions. Firms would also be wise to build broader coalitions (including labor unions) that would have a stake in opposing certain state and local sanctions.

State and local sanctions undermine the executive's ability to conduct foreign policy.

Any sanction should be the subject of an annual impact statement, prepared by the executive branch and submitted in unclassified form to Congress, which would provide far more information and analysis than the pro forma documents written to justify many current sanctions. Like the report that would accompany a new sanction, the annual statement would introduce much-needed rigor into the sanctions decision-making process. A more careful calculation of economic costs would also provide a basis for determining payments to workers and companies being asked to bear a disproportionate share of the sanctions burden. Such seriousness has not been the hallmark of the American embrace of sanctions, which are often imposed and maintained with only cursory analysis of likely or actual effects.

The consequences of what is recommended here—less frequent and more modest use of economic sanctions—would risk creating something of a policy vacuum. In Washington it is difficult to beat something with nothing. So how does one beat economic sanctions?

[3]David Schmahmann and James Finch, "The Unconstitutionality of State and Local Enactments in the United States Restricting Business Ties with Burma (Myanmar)," *Vanderbilt Journal of Transnational Law*, March 1997, pp. 175-207.

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Sometimes military force will be required. This was the lesson of Desert Storm and Bosnia. In Cuba, for example, instead of tightening sanctions—which increased the misery of the Cuban people—and going along with Congress' introduction of secondary sanctions against U.S. allies, the Clinton administration might have been wiser to launch a cruise missile salvo or use stealth aircraft to take out the MiGs that in 1996 shot down the unarmed plane flown by Cuban exiles from the group Brothers to the Rescue.

In other instances, focused sanctions could be useful. A more appropriate response to Pakistan's nuclear program would have been export controls designed to slow missile and nuclear bomb development. With Haiti, narrow sanctions aimed at the illegitimate leadership would not have triggered the human exodus that pressured the administration into an armed intervention that could well have proved far more costly than it did. China was stung by the U.S. decision to oppose Beijing's bid to host the Olympic games in the year 2000 and is bothered by being singled out in various international bodies for its treatment of its citizens.

The principal alternative to economic sanctions is best described as constructive or conditional engagement. Such an approach, involving a mix of narrow sanctions and limited political and economic interactions that are conditioned on specified behavioral changes, might be preferable, especially if the goal is to weaken the near-monopoly of an authoritarian leadership over a country like Cuba, Iran, or China. Such an approach is not as simple as imposing economic sanctions; nor does it yield as dramatic a sound bite. Its principal advantage is that it might have a more desirable impact at less cost to Americans and American foreign policy.

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Algeria's Long Night

Milton Viorst

IS ISLAM EVER THE SOLUTION?

ALGERIA'S CIVIL WAR showed signs in early summer of sputtering to an end. After nearly six years of conflict and some 60,000 deaths, Algerians were fed up, exhausted, in despair. Most appeared prepared to accept President Liamine Zeroual's political manipulations, which had seemingly squeezed his Islamist foes out of the system; in a 1995-97 series of elections that international observers called reasonably free, Zeroual had won a mandate that bolstered his claim to legitimacy. He also claimed a decisive military victory over the Armed Islamic Group (GIA), the fiercest of the rebel factions, after his security forces asserted that they had killed Antar Zouabri, the group's chief, and his entourage. Indeed, a confident Zeroual went so far as to release Abassi Madani, the leader of the Islamic political opposition, who had been incarcerated since 1991.

But contrary to expectations, the summer was the bloodiest in six years of war, and by fall, with the government floundering, the prospects for peace had never looked dimmer. Madani, having declared that his Islamic Salvation Front (FIS) had no intention of submitting to Zeroual's political engineering, was again under arrest. Reports leaked by the government of secret talks with the Islamists seemed an act of desperation; so was the fanfare accompanying a unilateral cease-fire declared by the Islamic Salvation Army, a marginal rebel force linked to Madani's political party. Meanwhile, GIA bands, acting independently

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of the Islamist political leadership, had struck panic throughout the country with their bold and brutal attacks. The new attacks, moreover, led many to speculate that government forces were not helpless but were actively contributing to the rising death toll.

For six years, observers had assumed that intermittent massacres in Algeria, mostly in rural areas, were the work of the GIA. In most cases they were. But repeatedly this summer, bands of killers slipped into villages, some on the edge of Algiers, the capital, and spent the night hours slashing the throats of women, children, and old men. Security units stationed nearby failed to respond to calls for help.

Many began to ask whether the security forces were the perpetrators. On-the-scene reporting of the violence has always been spotty, as journalists in Algeria have been the victims of both state intimidation and Islamist assassins. It has never been easy to identify the killers in this civil war. Yet the government, at the least, shares culpability in the massacres, in failing to control not just the GIA but renegade military units and local militias that it itself had armed. The pattern of violence was reminiscent of Algeria's 1954-62 war of independence against France, when much of the peasantry asked only to be left alone. Punishing that indifference, both parties to the conflict brutalized innocents. In Algeria today, it matters less who did the killing than that the state is powerless to stop it, so that peace remains hostage to chaos.

Not only has the government been unable to restore order, but it has failed to address the weaknesses that gave rise to the conflict in the first place. The economy is fragile, unable to ameliorate hunger and widespread unemployment. A soaring population demands ever greater services, delivery of which is tainted by corruption and incompetence. Social inequity eats at public morale. And in politics, the government has chosen to ignore the Islamic movement, whose overwhelming electoral victory led in January 1992 to the military coup d'état that triggered the civil war.

Though the circumstances of the war are uniquely Algerian, the problem is not. Secular governments, pursuing modernization, have failed throughout the Arab world. In Algeria as elsewhere, an Islamic movement with strong fundamentalist leanings was the only organized opposition to a self-serving, sclerotic regime. Many Arabs fear

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the war in Algeria may be an index of a future doomed to Islamist-inspired rejection of modernization, along with permanent instability.

Is Algeria's bloodletting, they wonder, the fate that awaits Egypt and Tunisia, where the contest between mosque and secular state is already violent? Could it also be that of, say, Syria, where a deep rancor toward the government lies beneath the calm surface? In Turkey, though not Arab, the Islamic movement continues to surge, in spite of 75 years of stable secular rule. Even in countries as peaceful as Jordan and Morocco, where benevolent monarchs rule, Islamists wait for the next social trauma—war, famine, what have you—to make their move.

The evidence is not convincing that most Arabs believe Islam is the solution, that piety and prayer are the answer to their societies' problems. Islamic movements may vary in character, but the revolutions in Iran and Sudan suggest that political Islam solves one problem—the overthrow of corrupt secular regimes—only by creating many others. In Algeria, the Islamic movement's administration of nearly a thousand municipalities after its victory in the 1990 local elections prefigured limits on personal freedom without enhancing economic opportunity. Yet Arabs, frustrated by their authoritarian governments, turn to Islamists for lack of alternatives within their political systems.

The United States once argued for ending Algeria's civil war through negotiations between the state and the Islamists. But recently it seems to have joined France, the former colonial power, in opting for Zeroual's strong-arm strategy. After meeting with Zeroual in September, U.S. Ambassador Ronald E. Neumann declared, "My government and I personally wish him every success as he seeks to move forward on the path he has publicly chosen." Apparently Washington is betting that Algeria's military regime, not militant Islam, will prevail.

LIBERATION VS. SALVATION

FEW EX-COLONIES had such promising beginnings as Algeria. Unlike the Arabs who had been handed independence in the preceding era of decolonization, Algerians won theirs in 1962 in ferocious combat with France. The victory imbued them with a sense of achievement that was largely absent elsewhere in the Arab world. Algeria also emerged from the war with an educated elite, Arabic-speaking but fluent in

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French and at ease in the West. The country's fertile fields yielded substantial wealth, as did its oil and gas reserves. Algeria inherited from the French a useful infrastructure, and it was near its natural markets.

Islamic militants argue that the government's Western-style secularism neutralized Algeria's advantages. But the government was not just secular; it was despotic, corrupt, and rigidly socialist. When bad times came, the regime found that, while it had an army to enforce its will, its reservoir of popular support was practically dry.

Algeria's problems date from the dawn of independence. The army seized power from the civilian authority that had directed the underground effort against the French and set up a regime modeled on Colonel Gamal Abdel Nasser's popular dictatorship in Egypt. A single party, the National Liberation Front (FLN), ran the state, while real power resided in the military high command. In the quarter-century that followed, Algeria's population nearly tripled, which would have been challenge enough for any regime. But the blundering FLN government financed its operations with foreign loans, using oil and gas resources as collateral. When oil prices collapsed in the mid-1980s, it was suddenly without funds. In October 1988, riots with a distinctly Islamic flavor broke out.

Algeria had never thought of itself as particularly Islamic. But the regime, while quick to put down political dissidence, had tolerated educational and community organizations run by mosques, convinced this would promote social stability by channeling the energies of young

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people—50 percent of whom had no jobs—into religion. Instead, it helped create a generation of Islamic militants. The 1988 riots swiftly escalated into bloody confrontations between the army and crowds of such militants, hundreds of whom were killed. The events also produced a leader, Ali Benhadj, the austere and mystical young cleric of a working-class mosque in an industrial quarter of Algiers. Benhadj demanded jobs, an end to corruption, and, more grandly, the "cleansing" of Algerian law of all principles contrary to Islam. He acquired a ready following among Algerians, Islamically inclined or not, who were persuaded by the massacre of rioters, if they had not been before, that the FLN state had to go.

The riots also undermined the confidence of Chadli Bendjedid, an ex-officer whom the army had named president in 1979. Bendjedid promised radical democratization, which in retrospect even democrats acknowledge was a mistake. Although the French had introduced Algeria to democracy, they invariably cooked elections to favor their own interests, giving the process a bad name. Algeria, moreover, lacked the experience and the institutions—political parties, a free press, trade unions, human rights guarantees—considered essential to a democratic society.

In a constitution hastily drawn up in February 1989, Bendjedid revoked the FLN's monopoly on power, authorizing free political parties, free speech, and a free press. Apparently persuaded by polls that the FLN would retain power via the ballot, he promised elections, first municipal and then parliamentary. Undeterred by the polls, Algeria's Islamic movement mobilized for the voting.

The founding of the Islamic Salvation Front (FIS) was announced in March 1989 following an agreement among Algeria's chief clerics. The name conveyed a party with not only a political but a spiritual mission. Yet the founders, while unanimously supporting the idea of an Islamic state, seriously disagreed about its nature. Their platform left the hard issues of ideology and institutions unresolved.

Abassi Madani, a psychology professor with a British doctorate as well as a practicing imam, was named the party's leader. Benhadj was second in command and quickly became the FIS's most recognizable voice. In brilliant sermons—a few of which landed him in detention—he advocated not only an Islamic state but armed jihad to attain it. Convinced by the Iranian Revolution that victory was near, Benhadj

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proclaimed more extreme positions for the FIS than the leadership was prepared to endorse. The much older and more pragmatic Madani acted as a restraint on his ideological and impetuous colleague.

The FIS joined some 60 other parties, most of them one-man operations, in registering to participate in the impending elections. Among the secular parties, the FLN, its wealth and organization intact, was by far the most formidable. The FIS, the most energetic of the religious parties, was its only real rival. Looking back, the confrontation represented a clear choice between secular and religious rule. But Algeria's voters, newcomers to democracy, saw the FIS essentially as a challenger to the status quo. They considered its taking on of the detested FLN more significant than its vaguely formulated Islamic program.

In June 1990, eight million Algerians, some 65 percent of potential voters, cast their ballots in the first free, honest, multiparty election in the nation's history. The results were stunning. The FIS won control of 853 of Algeria's 1,541 municipalities, including Algiers. It received 54 percent of the total vote, including a huge majority among voters under 30. The FLN came in a distant second with 34 percent.

But the FIS victory did not quell public demonstrations. When, two months after the election, Iraqi forces invaded Kuwait, Bendjedid's regime supported the American-led coalition that landed troops in Saudi Arabia. Benhadj, defying the government, led his followers into the streets again, demanding that volunteers be recruited to fight against the Western forces on sacred Islamic soil.

The turmoil, which lasted for months, gave Bendjedid an excuse for indefinitely postponing parliamentary elections. The FIS then called a general strike, and for the second time in three years soldiers fired into crowds of protesters, killing several hundred. In June 1991 the government arrested Madani and Benhadj, along with some 700 militants, claiming to have discovered stores of FIS arms. But by then, Bendjedid had agreed to schedule parliamentary elections for December 26, 1991, with a runoff three weeks later.

Over Benhadj's objections, Madani issued instructions from his cell for the party to continue within the legal competition for power. The fall campaign proved unexpectedly calm, with candidates holding peaceful rallies and debating before orderly crowds. When the results were in, the FIS, disproving all the polls, stood ready to swallow up the

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government. Of 430 seats in parliament, the FIS won 188 outright and led in 140 of 199 outstanding contests. Moreover, it appeared likely to win two-thirds of the seats, enough to fulfill its campaign promise of replacing Bendjedid's constitution with the framework of an Islamic state.

THE REPLY TO DEMOCRACY

ALGERIA'S MILITARY regime went into shock. Bendjedid entertained the notion of giving the FIS a free hand in its social program in return for his retaining control of the defense and interior ministries. Such a deal, however, sat poorly with both the army and the FIS, which the street massacres had made into implacable enemies. On January 11, 1992, Bendjedid resigned, his departure ending the equivocation about who was in charge. For 30 years the army had let the FLN govern on condition that the party maintain order. Now its usefulness was at an end.

Three days later the army named a five-member High Council of State to assume the presidential functions. A moderate Islamist and a human rights activist provided a democratic façade, but the council was dominated by an army general. Its first decree dismissed the election results and canceled the runoff. The army's action has since entered the national lexicon as the January coup d'état.

In the wake of the coup, the FIS promised—at least until the government clarified its intentions—"to remain within the legal framework without renouncing its plan for an Islamic state." But the army conducted a new mass arrest of FIS leaders, while sweeping Algiers and detaining anyone wearing the loose-fitting white tunics that identified FIS members. It also moved to regain control of the mosques, replacing fundamentalist imams by the dozens, cutting off loudspeakers, banning street gatherings. Over the next few weeks the government closed FIS offices, heavily curbed party press outlets, and removed the municipal officials elected in the landslide of 1990.

The FIS launched a campaign of demonstrations, to which the army replied by killing 40 protesters in Algiers outside a fundamentalist mosque. The party leadership then proclaimed a march to bring down the state; the army countered by bringing in forces from the provinces and positioning them along the parade route. Facing massacre, the FIS called off the march, backing down from the high-water mark of its power.

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In March 1992 the FIS, after 29 months of legality, was declared formally dissolved. By then the killing by militants had begun—shootings, bombings, and stabbings directed first at police officers but soon at civilians, both in the cities and the countryside. The security forces retaliated with equal brutality, setting the current pattern of bloodletting.

The morality of the January coup has been much debated, inside and outside Algeria. No one disputes its illegality, but its defenders argue that the army, in heading off a reversion to medievalism, saved Algerian society. They cite the words of Islamist leaders as evidence that the movement, once victorious, would never agree to an election in which it might lose power. They contend that the violence of civil war is not of the army's making but was imposed by the intrinsic fanaticism of Islamic movements. These arguments may contain some truth. Yet whoever examines the FIS recognizes that, from its beginnings, the front has not expounded a unified ideology, much less a single political strategy.

TERMS OF OPPOSITION

BEFORE THE war of independence, Islam in Algeria was dominated by doctrines that were religiously moderate and politically mainstream—that is to say, anticolonial. Islamists actually found a place in the wartime leadership. After the war, however, when the regime became a Nasser-style dictatorship, Islam distanced itself from the state, drifting toward the model of Nasser's Islamist enemies. Emulating Egypt's Muslim Brothers, its ideology became increasingly fundamentalist and its strategy increasingly violent.

By the 1970s Algeria's mosques were largely in the hands of militant imams. The movement's majority called themselves *salafi*, a term that conveys dedication to a strict reading of the scriptures. The Islamic state they espoused would be governed by the sharia, traditional Islamic law. Followers of the *salafi* tended to be lower middle class and, even more often, rootless, jobless youths. When Khomeini's forces won in Iran in 1979, the *salafi* found a prototype not only for revolution but for clerical government. That was the vision they brought to the FIS.

Yet the legacy of Islamic moderation from the pre-independence era was not dead. Inside the movement were its heirs, known as the

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jazara, the Arabic word for Algeria, in recognition of their link with Algerian nationalism. The *jazara* faction, university-based and a bit elitist, favored the establishment of a modern Islamic state based on an updated interpretation of the scriptures. Between the *jazara* minority and the dominant *salafi* there emerged the tension between modernism and fundamentalism that prevails in our time throughout Islam.

The FIS also had a third faction, designated mujahideen ("makers of jihad"), a term used for Muslim warriors. The mujahideen were at best a stepchild. Benhadj, though not a member, was a consistent sympathizer, but Madani was afraid of them, and many of the FIS's most esteemed clerics had no use for the aggressive conduct that they promoted. The mujahideen were drawn more to action than to ideology. Heir to the brutality of the war against France, they believed the Islamic state could be achieved only through armed struggle.

Their roots went back to 1982, when Moustafa Bouyali, a guerrilla fighter against the French, launched an insurrection against the FLN's "impious state." Though never a threat to the regime, Bouyali, with a few dozen companions, captured the hearts of the politically alienated, who saw him as an Islamic Robin Hood. Finally, in February 1987, the army ambushed and killed Bouyali on the outskirts of Algiers, and in the ensuing months killed or imprisoned most of his band. Bouyali imparted a legacy of violence to political Islam. After the January coup his followers, reinforced by comrades released from prison, re-formed their units. They picked up additional recruits among the "Afghans," Algerians who had fought the Russians in Afghanistan. These "Afghans" are credited with shaping the mujahideen's vicious tactics.

On Madani's instructions, the FIS did what it could to bring the mujahideen under its command, but it encountered only contempt for preferring elections to jihad. There is no evidence that Bouyali's followers, loosely organized as the Armed Islamic Group (GIA), ever took orders from the FIS. For a time, the FIS commanded a few armed units under the rubric of the Islamic Salvation Army, but they were never a factor in the war. The GIA were always the chief fighters, and as violence became more commonplace, they superseded the FIS in the public mind. With the help of television and the press, they co-opted the image of the Islamic movement.

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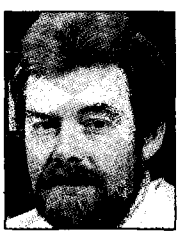

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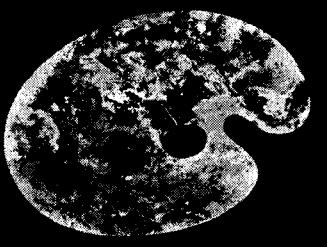

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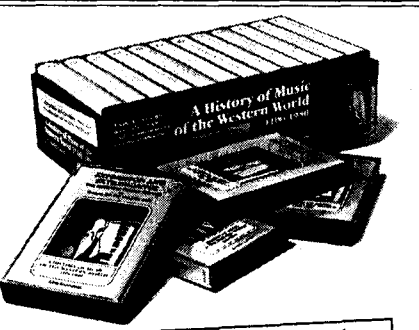

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The regime's security forces have used the mass arrest and torture of young Islamists to penetrate the mujahideen. The tactic has weakened mujahideen units, but it has also led to a huge exodus of young men from civilian society; ironically, the mujahideen became their only source of shelter.

Most mujahideen, insofar as they are ideological at all, clearly tend toward a narrow extremism. Their dispatches proclaim doctrines that are anti-women, anti-intellectual, and anti-foreigner, along with opposition to the secular state. Some of the mujahideen are common criminals, using Islam as a cover for banditry, kidnapping, and rape. The government contends that the criminals are the majority, but the claim is no doubt overblown.

PEACE PARTIES

SIX YEARS OF civil war in Algeria have shown that neither side has the strength to destroy the other. The FIS is in shambles, its dream—that its message would cause the state to collapse under its own weight, like the monarchy in Iran—having proved an illusion. Meanwhile, the security forces have been unable to quell the mujahideen. For now, Zeroual's government seems to be controlled by the *éradicateurs,* the faction of the military leadership that refuses political compromise and insists—apparently with significant civilian support—on maintaining its efforts to crush the rebellion. But so far the *éradicateurs* have failed in that.

Zeroual, president since 1994, is a general in his mid-fifties who came up through the army ranks. When the military chose him to replace the governing High Council of State, he was regarded as a cut above the rest of the officer corps in honesty and competence. Reports had it that he would pursue a settlement with the FIS, and he himself spoke of a dialogue "that excludes nobody." In August 1994 Madani notified Zeroual of the possibility of an armed truce, and a month later, both Madani and Benhadj were transferred from prison to house arrest. But no dialogue ever took place. The collapse of preliminary haggling seemed to mean that both sides were subject to the veto of their hard-liners. The bloodshed rose to a new level.

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Meanwhile, other talks opened in Rome. In November 1994 the Sant'Egidio Community, a peace group affiliated with the Vatican, convened a meeting of delegates from the FIS, the FLN, and the other opposition parties to draft a plan to end the war; the government had been invited but declined to attend. The delegates in Rome represented parties that had received more than 80 percent of the vote in the 1991 parliamentary election.

From custody, Madani and Benhadj endorsed the meeting. If Sant'Egidio led to a dialogue with the government, Benhadj declared, he would "go himself into the mountains" to get the mujahideen to accept the terms. It was the first time that the FIS had agreed to sit down with Algeria's secular parties. Never before had the Islamic movement sent such a clear signal of its readiness to compromise.

The Sant'Egidio platform was signed by all the parties in January 1995. The secular parties joined the FIS in affirming the "enlightened Islamic principles" set forth in the 1954 declaration that had launched Algeria's war of liberation. But the FIS also made significant concessions, agreeing to waive reinstatement of the results of the 1991 election, along with its claim to be Algeria's legitimate government. It did not insist on recognition of what it called its right to armed struggle. Finally, it committed to *alternance*—going into peaceful opposition, like other parties, if voted out of office.

The Sant'Egidio proposals, unquestionably conciliatory, were offered not as an ultimatum but as an agenda to begin talks between the government and the parties on ending the civil war. Many Algerians placed great hope in the plan. Yet Zeroual turned it down flat. Noting its Vatican sponsorship, he called it a resumption of the Crusades; television reports invariably discussed it against a background of a church and cross. But the explanation for Zeroual's hostility falls most logically on a clause of the plan calling for the nonintervention of the army in political affairs. Zeroual, the army's surrogate, could not tolerate such a radical shift in power. Two weeks after the Sant'Egidio signing, Zeroual returned Madani and Benhadj to prison. Benhadj, believed to be jailed somewhere in the Sahara, has not been heard from since. President Zeroual was planning to legitimize the state in his own way.

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HIS WAY

In June 1995 Zeroual announced that "transparent, free, democratic, and sovereign" elections for the presidency would be held the first week of November. The FIS, which was still banned, along with the legal parties represented at Sant'Egidio, boycotted the election. In addition to Zeroual, the candidates included a moderate cleric and two political unknowns, both secular. None urged a political settlement of the war. The campaign, which the mujahideen made no major effort to disrupt, proceeded without incident. The balloting, most observers agreed, was conducted fairly.

The results were even more favorable to the status quo than had been anticipated: Zeroual won 61 percent of the vote. Equally significant, 75 percent of the electorate ignored the boycott and went to the polls, making the abstention rate lower than in 1991, the year of the great FIS victory. The figures suggested that Algerians had repudiated the overwhelming endorsement they had given the FIS four years earlier. The vote could be interpreted as a renunciation of their revolutionary aspirations. But another reading might be that a war-weary populace was now asking only for an end to the violence, which Zeroual seemed to be in the strongest position to provide.

After his victory, Zeroual, conspicuously passing over the FIS, invited the country's other political forces to a conference to discuss Algeria's future. All but one of the parties to the Sant'Egidio plan stood with the FIS in declining. The FLN broke ranks, after an internal coup. The party of Algeria's liberation wanted back into the political game, if only as a secondary player.

Midway through 1996 Zeroual proposed a set of constitutional amendments to reshape the legislative assembly. While not explicitly banning Islamic parties, the amendments barred the exploitation of religion—an ill-defined concept—for political purposes. They also established a new upper chamber, which the president would appoint, and gave him broad powers to rule by decree. Effectively, the amendments authorized Zeroual to govern without popular restraint. Their obvious intent was to keep any Islamic party from acquiring the power the FIS almost did in 1991-92.

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Algerians voted on the amendments in November 1996, and according to the government, more than 85 percent gave their assent. The official tally was 12.7 million ballots cast, more than in the presidential election the year before. No outside observers were permitted to monitor the voting, however, and many Algerians, noting that polling stations had been virtually empty, dismissed the figures cynically.

DEAD OR DORMANT?

STILL, THE AMENDMENTS went into effect, apparently closing all doors to power for the Islamic movement. Was the FIS dead? Many felt it had taken its last shot at remaining a political player in going to Sant'Egidio. The GIA, meanwhile, had hijacked its identity, undermining the popular loyalty the Islamic movement had once enjoyed. Zeroual had offered the people no more than a façade of democracy. His constitution now assured the presidency, acting for the army, of legal possession of the last word in running the Algerian state.

But where had the sentiment gone that produced a vote for an Islamic state in 1990 and again in 1991? Had the huge FIS victory been an illusion? Had Algerians been, as secularists claimed, intent on voting the FLN out rather than the FIS in? Had they never really been interested in an Islamic state at all?

Certainly the Islamic movement does not think Algerians are prepared to abandon its cause. It continues to assert that the injustice of January 1992 will not prevail and that Algerians will, in the end, affirm its right to rule. Yet for the moment the president and the army are securely in charge. This past summer Zeroual conducted another election in which Algerians voted for their new, largely impotent parliament. To no one's surprise, the president's party and its allies captured a substantial majority of seats. Zeroual, in releasing Madani from prison soon after, seemed to say that the civil war was over. But he could hardly have been more mistaken. The carnage, after a brief remission, resumed with a vengeance.

Yet Zeroual in the 1997 election had completed the reassembly of the parts—presidency, constitution, parliament—of the Algerian state. The damage to legality done in the January coup had ostensibly been repaired. Zeroual could make a plausible claim of legitimacy, which foreign governments, including the United States, were willing to accept.

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Many Algerians, however, say that the Islamic movement is in hibernation, waiting for spring. When the movement awakens, they say, its political arm may no longer carry the FIS's name, but it will profess the same commitment to a state based on Islam and the sharia. None of Zeroual's changes, they insist, have compensated Algerians for the regime's repression of support for an Islamic government.

But the army is unlikely ever again to gamble with democracy, as it did in 1990 and 1991. Nor is it likely to grant the opportunities for growth that the Islamic movement enjoyed in the decades after independence. It has learned the price of loosening its hold on Algerian society, and it possesses the power to keep the bonds tight.

Zeroual has erected the scaffolding of a state while shackling the society that fills the space within. The space now seethes with discontent. Algerians of all political beliefs hope the spilling of blood will abate. But they agree that the struggle for the nation's soul is far from over.

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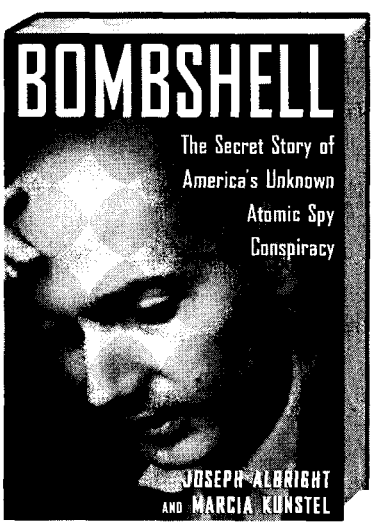

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Puerto Rico's Decolonization

Rubén Berríos Martínez

THE TIME IS NOW

QUIETA, NON MOVERE, was the motto of the statesman Robert Walpole, who for most of the eighteenth century inspired Britain's policy toward its American colonies. The U.S. Congress for more than four decades has followed a similar don't-rock-the-boat territorial policy regarding Puerto Rico, one of the few remaining colonies in the world even after the U.N. General Assembly in 1988 declared the 1990s the "International Decade for the Eradication of Colonialism." Yet if the trends of the last half-century continue, a change in political status seems inevitable for the 3.8 million inhabitants of the Caribbean commonwealth, a U.S. possession since the Spanish-American War of 1898. If the United States remains in a state of Walpolian inertia, it may soon face a challenge to the very nature of American federalism and to its relationship with Latin America.

Fortunately, the traditional policy of congressional immobility on Puerto Rico seems to be losing ground, though it is still a tempting option for a Congress with a propensity for crisis management. A bipartisan bill, sponsored by Representative Don Young (R-Alaska), authorizing a federally sponsored plebiscite on Puerto Rico's status was overwhelmingly approved 44 to 1 by the House Committee on Resources this summer and awaits final approval by the 105th Congress. The pending congressional process, however, should entail an open examination of the premises that underlie the complex debate on the

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RUBÉN BERRÍOS MARTÍNEZ is a Senator in the Legislative Assembly of Puerto Rico and President of the Puerto Rican Independence Party.

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CORBIS - BETTMANN

The movement for Puerto Rican independence has matured from violent acts to political arguments. Oscar Collazo lies at the steps of Blair House after the attempted assassination of President Truman, November 1, 1950.

island's political status. Some of the premises of the Young Bill are either fantasy or glaringly inconsistent with the legitimate interests of the United States and Puerto Rico. Unless those premises are changed, and the United States adopts a principled and rational policy while alternatives are still available, Puerto Rico is likely to opt for statehood. The Senate should be forward-looking. It should exclude outmoded colonial commonwealth as an option, address itself candidly to the consequences of statehood—which would burden the United States and preserve the economic problems of Puerto Rico while

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furthering its cultural assimilation—and adopt a policy that will pave the way for Puerto Rican independence.

A statehood petition would be the direct result of U.S. Cold War policies that de facto criminalized the island's independence movement, which was supported by a majority of the Puerto Rican people until the 1940s. For the last half-century, those policies have also fostered dependence on federal welfare payments and on tax-sparing arrangements for U.S. corporate investors. In 1996 a budget-conscious Congress repealed what it called corporate welfare and began cutting back on social programs as part of welfare "reform." Puerto Ricans, once again reminded of their colonial vulnerability, have thus been induced to seek the greater federal largess that would purportedly accrue under statehood and consequent representation in Congress.

The implications of statehood for a territory populated by Spanish-speaking Latin Americans (and not a minority, culturally isolated or overwhelmed by a ruling majority identified with Anglo-American culture, as was the case in Texas) with a per capita income one-third that of the United States and half that of Mississippi should not be underestimated. In a Caribbean nation where half the families receive food checks under the federal Nutritional Assistance Program, "Statehood is for the poor," as Carlos Romero-Barceló, now Puerto Rico's pro-statehood resident commissioner, said in 1973, was an effective slogan. But the founding fathers did not intend statehood as a ticket for a poor nation to a cornucopia of federal welfare payments. More important, it was not designed with anything like Puerto Rico in mind. It is one thing to accept individual Jamaicans or Dominicans as immigrants; it is quite another to annex entire nations like Jamaica or the Dominican Republic as states.

PUERTO RICO IS A NATION

PUERTO RICO's heart is not American. It is Puerto Rican. The national sentiment of Puerto Ricans is entirely devoted to our *patria*, as we call our homeland in Spanish, our language. We are Puerto Ricans in the same way that Mexicans are Mexicans and Japanese are Japanese. For us, "we the people" means we Puerto Ricans. Only through the distorted prism of Coca-colonization would any observer confuse

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U.S. cultural influence in Puerto Rico with inclusion in the melting pot that has kept the United States e pluribus unum. Puerto Ricans are U.S. citizens, but they are not Americans. Although Puerto Rico is not a politically independent nation, it is no less distinguishable from the United States than the non-independent Palestinian nation is from Israel.

The present commonwealth arrangement is an outmoded remnant of the Cold War. According to Sections 1 and 9 of the Federal Relations Act, which provided the legal framework for commonwealth in 1952, all U.S. laws enacted by Congress apply to "Puerto Rico and adjacent islands [offshore Puerto Rican municipalities] belonging to the United States," except when deemed locally inapplicable. But territory under the U.S. Constitution was never intended to be permanent, and a growing majority of Puerto Ricans repudiates the present status. In a 1952 yes-or-no referendum, 81 percent of voters backed commonwealth and 19 percent opposed it. In a 1993 plebiscite sponsored by the Puerto Rican government, by contrast, the percentage for commonwealth had decreased to 49 percent, while statehood had increased to 46 percent, and independence, in spite of decades of discrimination and persecution, garnered 4 percent.

The issue of Puerto Rico's status can no longer be shunted aside. Unless it addresses it directly, the United States may, at the very least, risk international embarrassment by retaining a colony that lacks even the appearance of majority support while denying a statehood petition that would weaken the unitary nature of the federation.

GEOPOLITICS AND NATIONALITY

NINETEEN NINETY-EIGHT marks the centennial of the U.S. invasion of Puerto Rico. Since then, geopolitical and military considerations have governed U.S. policy, although commercial and economic interests have also influenced it. At the end of the nineteenth century, control of Puerto Rico was basic to the extension of U.S. influence over Latin America in general and the Caribbean in particular. The invasion and acquisition of Puerto Rico, which guarded the eastern approaches of the Caribbean Sea, was inextricably tied to the decision to build a canal connecting the Atlantic and Pacific Oceans.

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The United States was "interested in the cage, not the birds," stated Pedro Albizu Campos, founder of Puerto Rico's modern independence movement, in the 1930s. Yet the island was populated in 1898 by almost a million people that had developed a distinct national identity and consciousness as an integral part of the Latin American family of nations. Since the Foraker Act of 1900, which ended two years of U.S. military government and provided for an all-powerful appointed governor and an elected but powerless House of Delegates, Puerto Ricans have been struggling to end American colonialism. Whenever the forces of nationality and independence were on the ascent, world events reminded Americans of the island's geopolitical importance.

American policies have repressed the Puerto Rican independence movement.

As early as 1914, the Union Party, Puerto Rico's majority party, proclaimed independence as its final-status aspiration, but as U.S. participation in World War I became imminent, the United States tightened its hold on the Caribbean. It invaded Haiti in 1915 and the Dominican Republic in 1916 and formalized its will to occupy Puerto Rico permanently by unilaterally imposing U.S. citizenship through the Jones Act of 1917, over the unanimous objection of the House of Delegates. The Jones Act included some reforms, such as an elected Senate, but the fundamental disenfranchisement remained.

By the 1930s, Puerto Rico's economy, which had been characterized before the American invasion by small and medium-sized farms producing primarily for local consumption—the principal export being coffee for the European market—became under the stimulus of U.S. tariff laws a large sugar plantation dominated by absentee landowners in the United States and tilled by a pauperized peasantry. The ensuing discontent of the Puerto Rican political class and the social unrest of the Great Depression gave rise in the 1930s to a powerful pro-independence movement. Albizu Campos, a Harvard-educated lawyer influenced by the contemporaneous Irish independence struggle, led the most formidable challenge to American rule. From 1927 to 1936 he transformed the previously elitist Nationalist Party into a combative, anti-imperialist movement with far-reaching popular sympathy. The Nationalist Party

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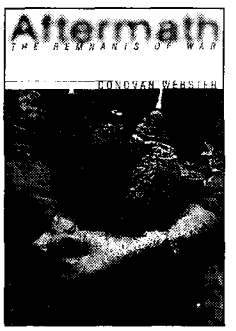

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boycotted the 1936 legislative elections, but the Liberal Party declared independence as its goal and became Puerto Rico's most popular party, winning 46 percent of the vote.

As World War II loomed, Puerto Rico became the Caribbean Gibraltar. The carrot-and-stick response by the United States to the upsurge of independence sentiment was swift. On one hand, violent repression was unleashed against the Nationalist Party and its followers, and on the other, Roosevelt's New Deal established social programs aimed at mitigating the discontent of widespread poverty.

In 1936 trumped-up charges under the wartime Sedition Act of 1918 were brought against Albizu Campos and other Nationalist leaders, resulting in their imprisonment for almost a decade in the federal penitentiary in Atlanta. In 1937, under instructions of General Blanton Winship, the U.S.-appointed governor, police fired on a group of unarmed Nationalist Party members in the city of Ponce. Twenty-two were killed and 97 wounded. With the Nationalist leadership imprisoned, many party sympathizers and most *independentistas* in the Liberal Party joined forces in 1938 to form the Popular Democratic Party (PDP) under the leadership of Luis Muñoz Marín. The PDP won the 1940 elections with a pro-independence stance and a promise to solve the status issue at the end of the war.

THE COLD WAR AND COMMONWEALTH

In 1943 the non-partisan pro-independence Congress, which represented, according to Muñoz Marín, "the ideals that are undoubtedly those of the majority of Puerto Ricans," petitioned the United States for independence. After World War II, however, Cold War strategy took center stage, and Puerto Rican independence became anathema to Washington. The United States developed a strategy to divert the island from the road to independence while placating Puerto Rican nationalism. Bowing to American pressure, the PDP expelled *independentistas* from its ranks in February 1945. This purge led in October 1946 to the foundation of the Puerto Rican Independence Party (PIP), which became the main opposition. As a reward for Muñoz Marín's changed view toward Puerto Rico's status, in 1947 the U.S. Congress

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issued the Elective Governor Act, under which he became Puerto's Rico's first elected governor in 1948.

As the next step in the anti-independence strategy, the Commonwealth of Puerto Rico was established in 1948-52. Congress left intact all sections of the 1917 Jones Act, henceforth to be known as the Federal Relations Act, pertaining to relations between the United States and Puerto Rico. Likewise, all articles and matters referring to Puerto Rico's elected House, Senate, and governor, while practically unaltered, were incorporated into a much-touted local constitution after being approved by a so-called Constitutional Convention and confirmed—with congressional deletions and amendments—in a yes-or-no referendum. The vote was a sham; no other status options were provided. Yet the end of the colonial era was grandiosely proclaimed.

A massive anti-independence government propaganda campaign was launched. The words *patria* and *nación* (nation) were proscribed for decades. In 1948 the Puerto Rican legislature approved the infamous Ley de la Mordaza (Gag Law), a version of the 1940 Smith Act prohibiting seditious speech, under which *independentistas* were arrested and imprisoned for almost any reason, including reciting patriotic poetry, making speeches, and unfurling the Puerto Rican flag.

Albizu Campos, released from federal prison after seven years, led a Nationalist uprising that was accompanied by armed attacks on Blair House in Washington, where President Truman was then living, in 1950 and on the U.S. Congress in 1954. The Puerto Rican government's response was brutal and indiscriminate. Practically all Nationalist Party members and more than a thousand leaders and members of the PIP, which did not advocate armed struggle, were imprisoned, most of them on the basis of blank arrest warrants. The police (with the active collaboration of U.S. intelligence agencies) compiled a huge blacklist of independence supporters, who were then discriminated against and harassed. The practice continued until 1988, when the Puerto Rican Supreme Court declared it unconstitutional and ordered the release of more than 100,000 files in 1992. The Puerto Rican electorate had been driven away from independence by terror.

The anti-independence stance of the PDP and the island's increasing dependence on U.S. transfer payments made inevitable its displacement by pro-statehood forces. A powerful pro-statehood movement

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displaced the PIP as the main opposition, and its electoral support grew from 16 percent in 1952 to 51 percent in the 1996 local elections. When the favorable postwar economic conditions changed, the Puerto Rican economy stagnated. Even though capital-intensive U.S. companies, under Section 936 of the Internal Revenue Code, repealed in 1996, reaped enormous profits exempt from federal taxes—$154 billion between 1976 and 1995—real output per capita crept upward at a dismally low 1.2 percent annually during the period. Migration increased, and U.S. welfare and other transfer payments to individuals (excluding Social Security and veterans' benefits) increased astronomically—from $7 million in 1973 to $1.7 billion in 1995, for a total of $24 billion, at current prices, during the period. Federal transfers to the local government amounted to an equivalent sum. The "association" rhetoric of commonwealth was supplanted by a "permanent union" credo. Independence was equated with hunger and dictatorship, and U.S. citizenship (curiously labeled "common citizenship") was exalted. Statehood came to be seen as the ultimate guarantee against the loss of the economic safety net underwritten by U.S. taxpayers.

EXHAUSTED COMMONWEALTH

THE YOUNG Bill, now pending in the U.S. Congress, recognizes that commonwealth cannot provide a solution to Puerto Rico's colonial problem. It acknowledges that commonwealth is territorial under U.S. law, which in turn is colonial under international law. Nevertheless, it includes commonwealth as a provisional option until Puerto Ricans choose full self-government by voting for one of the two other options, statehood or Puerto Rican sovereignty, either in the proposed 1998 referendum or in others to be held periodically if commonwealth prevails.

To divert Puerto Rico from independence during the Cold War, U.S. economic and political support of commonwealth was an accepted cost of doing business. But conditions have changed radically in the last half-century, and Congress has formally begun to recognize commonwealth as a colonial anachronism, in effect joining the international community in refusing to accept colonialism as legitimate under any guise. Such a recognition was inevitable. The social and psychological realities that have led people to outlaw a labor contract to work for

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less than the minimum wage, however voluntarily reached, led to the 1960 U.N. General Assembly Resolution on the Granting of Independence to Colonial Countries and Peoples recognizing that national self-determination is an inalienable right, and that colonialism is not a normal condition to which human beings can voluntarily consent.

INVIABLE STATEHOOD

Statehood provides a legal solution to the lack of Puerto Rican representatives' right to vote in the U.S. Congress. Puerto Rico's basic problem, however, is the dependence and subordination inherent in colonialism, not only legal and political, but also economic, cultural, social, and psychological. Statehood for Puerto Rico would merely be another form of dependence and subordination—colonialism with another mask—that would make dependence more acute.

As a state, Puerto Rico is bound to pay the heaviest of prices: cultural assimilation. In the American system the only way out of an ethnic ghetto is through cultural assimilation into the Anglo-American mainstream, which would subordinate the island's Spanish language and distinct culture. Latin Americans, particularly Puerto Ricans, even when living in the mainland United States, where they are by definition a minority, have proved more resistant to assimilation than other immigrants, particularly Europeans. In any case, assimilation is unacceptable to Puerto Ricans, including statehooders. Even the current pro-statehood governor, together with the former pro-commonwealth governor and myself as president of the PIP, addressed a letter to the congressional leadership in 1990 stating that "all of us agree on the following: Spanish belongs to all Puerto Ricans, it is not negotiable under any circumstance or political status." If loss of culture and identity did not occur, the U.S. body politic would be stuck with an anomaly—a state of citizens who refuse to become Americans.

After nearly 100 years of American colonial rule, Puerto Ricans remain a distinct and homogeneous Latin American nationality. Spanish is the only language of common understanding as well as of high culture, and less than one-third of the population understands English, even as a foreign language. Renowned Puerto Rican writers, painters, and other artists, heirs to a distinguished centuries-old

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tradition, have made significant contributions to twentieth-century Latin-American culture. Our folklore and popular arts, a rich blend of the island's Spanish, African, and Taino inheritance, and Caribbean customs and traditions contribute to our national culture, proud and defiant even under the constant threat of assimilation.

> The United States could be stuck with citizens who refuse to become Americans.

From an economic perspective, Puerto Rico's limited fiscal autonomy—most federal taxes do not apply—would disappear with statehood. Unemployment would mushroom because the investment and fiscal autonomy Puerto Rico needs to develop its economy would be impossible under statehood. The uniformity mandated by the U.S. Constitution would not allow the kind of economic incentives necessary to attract foreign investment. Thus Puerto Rico would become a permanently depressed region of the United States, with most educated people migrating to the mainland, leaving most of the rest to survive on increasing doses of federal welfare secured by the island's congressional delegation. Market forces are inexorable, as Appalachia, the South Bronx, and other chronically depressed areas of the United States illustrate.

What would Puerto Rican statehood mean to the United States? Puerto Rico would be the poorest state, pay the least in federal taxes, and receive the most in per capita federal transfers. In 1991 the Congressional Budget Office estimated that over a ten-year period statehood would cost the U.S. Treasury $35 billion more than the $56 billion Puerto Rico would receive under its present status. Although the cost of statehood may be reduced somewhat by federal welfare reform (federal welfare spending in Puerto Rico has always been severely capped), it would be more expensive than commonwealth because the U.S. Supreme Court held in 1980 that Congress is under no constitutional obligation to extend any federal social welfare program to Puerto Rico.

The political and social consequences of statehood would be even more far-reaching and potentially explosive for the United States. As a state, Puerto Rico would have a congressional delegation of 2 senators and 6 representatives—at least as many as 29 other states. Such an ethnically and culturally distinct Spanish-speaking Latin American state would disrupt U.S. federalism, its congressional delegation a

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potential rallying point for minority demands when the United States is trying to ease its ethnic and social tensions.

Finally, what would the United States do with the hundreds of thousands of Puerto Ricans who adamantly oppose statehood? *Independentistas* have vowed to continue the struggle for independence—indeed for secession—under statehood. And who can speak for the next generations? Is the United States willing to risk a Caribbean Quebec or a tropical Northern Ireland?

A POLITICAL AND SPIRITUAL IMPERATIVE

UNDER THE Puerto Rican or separate sovereignty option, the Young Bill provides for independence and free association alternatives. The United States has entered into free association agreements with the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau, all former U.S. trust territories in the Pacific. A valid association does not amount to independence, however, since specific sovereignty powers are delegated by the associated state to its partner in the association agreement. Such delegation is limited in turn by the principle of revocability whereby the associated state reserves the right to terminate the association unilaterally and fully exercise its sovereignty.

Independence, on the other hand, by definition provides the framework for full democratic self-government and for the full flowering and perpetuation of a nationality. As Edmund Burke phrased it: "A nation is not an idea only of individual momentary aggregation. It is a deliberate election of the ages and generations, a partnership not only between those who are living, but between those who are dead, and those who are to be born."

Independence is also necessary to provide Puerto Rico with the power and flexibility that would assure sound economic development in the modern world. The basic economic problem of Puerto Rico is economic stagnation and dependence on U.S. subsidies. More than one-third of our population has emigrated in the last 40 years, mainly seeking work. The island has among the highest crime and drug addiction rates in the world—treat a nation like a ghetto and it will behave like a ghetto. In 1993, there were 24 homicides in Puerto Rico per

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100,000 inhabitants, compared with 9 in the United States, 4 in Costa Rica, and 1 in the United Kingdom. In 1991 Puerto Rico had 1,972 drug addicts per 100,000 inhabitants, compared with 1,176 in the United States and 179 in the United Kingdom.

To overcome such conditions, Puerto Rico must take full advantage of its location, an infrastructure more advanced than that of virtually any nation at the moment of attaining independence, and a highly skilled labor force and educated managerial class. Forty-seven percent of the island's labor force has some post-secondary education; 25 percent of those working are professionals and managers. The productive capacity of these resources under the constraints of the colonial system has reached its limits. Puerto Rico must develop a more modern, diversified, competitive, and knowledge-based economy, centered on manufacturing and services and to a lesser extent on modern agriculture. Puerto Rico must develop an economic strategy responsive to its own needs, not subject to rules and regulations designed for the much wealthier continental U.S. economy. Puerto Rico must have the authority to enter into international tax and commercial treaties in order to increase and diversify foreign investments, widen its export market, and lower import costs. It must be able to allocate production rationally for internal consumption and gear monetary and fiscal powers toward greater capital formation and productivity.

> Independence would release the full spiritual energies of a trampled nationality.

Many small independent countries, which in 1970 were far behind Puerto Rico in economic development, have used such mechanisms in the recent decades to achieve impressive income gains. In 1995 Trinidad and Tobago had a per capita GDP (at purchasing power parity) of $8,610; St. Kitts and Nevis, $9,410; Barbados, $10,620; Malta, $11,570; Cyprus, $14,060; and Singapore, $22,770. These countries have far surpassed Puerto Rico's per capita GDP of $7,670, while Puerto Rico has overtaken no one during the last quarter-century. They did not receive the presumed benefit of billions of dollars in welfare payments, but they enjoyed the power and flexibility of sovereignty. An independent Puerto Rico, particularly in this era of interdependence, could become the catalyst for a

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Caribbean common market and for the revival of the century-old idea of an economic and political Antillean Confederation, conceived by the Puerto Rican abolitionist Ramón E. Betances, educator Eugenio María de Hostos, and the Cuban poet and essayist José Martí, who were also the leaders in the struggle for Cuban and Puerto Rican independence.

Culturally, independence would end Puerto Rico's lifeless imitation of its colonizer, typical of colonies. It would release the full spiritual energies of a nationality whose self-esteem has been trampled on. It will also help break the stranglehold of the defensive, nativist, and sometimes suffocating insularism many on the island have pursued as a refuge against assimilation. Independence would clear the way for a modern, forward-looking society, open to all cultural influences but subject to none and proud of its own. Those who desire Puerto Rican independence, in the words of Gandhi, "want all the cultures of all lands to be blown about [our] house as freely as possible, but refuse to be blown off our feet by any."

From the U.S. perspective, Puerto Rican independence would do more than stop the drain on the federal treasury. It would help the United States finally put an end to the contradiction of aspiring to be the leader of democracy worldwide while remaining the last colonial power. Colonialism denigrates the colonized, but it also demeans the colonizer.

The Latin American family of nations would be permanently resentful after seeing one of its members swallowed by their powerful northern neighbor. In this postcolonial, noninterventionist era of interdependence, the United States should instead develop a common policy toward the Caribbean as a whole. This new, more enlightened policy should promote political stability, democracy, and economic development in order to guarantee U.S. national security in the region. Such a policy should envision the Caribbean as a more vigorous regional trading partner whose economic prosperity would inhibit illegal migration to the United States. An independent Puerto Rico intimately tied to the Caribbean and with strong relations with the United States could play an important role in the implementation of such a policy.

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THE NEAR FUTURE

WHILE THOSE in Congress who oppose statehood may be tempted to derail the Young Bill, such a strategy would be counterproductive. With every passing day there is a greater danger that the irrational statehood bandwagon in Puerto Rico will be joined in the United States by an equally irrational bandwagon of pluralism. As Hispanic voters become a larger percentage of the American electorate, in the desire not to appear to oppose multiculturalism, many voters and politicians will in fact be promoting multinationalism. This can only lead to Balkanization and a backlash against multiculturalism and minorities. Members of American minorities will not constitute a mathematical majority until the middle of the next century, but their increasing electoral weight will soon become a politically determinant factor in the complex and heterogeneous American society. If the Senate succumbs to the Walpolian temptation of inaction, it will merely be postponing an issue that will come back to haunt Congress in ever more menacing ways. If, on the other hand, prudence and good policy prevail, the Senate will amend the Young Bill or approve a bill of its own.

There is still time. The Senate can exclude the option of territorial commonwealth from the referendum and include only options that guarantee full self-government, namely statehood and separate sovereignty, which includes independence and free association. By including territorial commonwealth as an alternative, the Young Bill as it stands contradicts its avowed decolonization purpose. Territorial commonwealth is the problem, not the solution.

In any case, the Senate should—as the House has done by exposing commonwealth's colonial nature—strive to demythologize the statehood option so as to guarantee a fair process and not give rise to false expectations. If Puerto Ricans are told that English will have to become the primary and common language on the island, that for budgetary reasons statehood will not be considered until Puerto Rico approaches the per capita income of the poorest state, and that statehood must be supported by an overwhelming majority in Puerto Rico—that alternative would be defeated in the referendum. The United States should then take no for an answer, discard state-

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hood, and proceed to dispose of commonwealth. Regarding independence and free association, the Senate should be even more forthright than the House in providing the necessary guarantees and specificity so as to compensate, at least partially, for almost a century of anti-sovereignty propaganda.

If statehood wins, Congress should bite the bullet and deny the statehood petition. There is no right to statehood, and Congress should always act to further U.S. national interests, particularly when the variables are under its control. It should then promote the conditions for sovereignty with the same thoroughness, but with more compassion, that it used to promote Americanization.

The end of the Cold War, the need for a new U.S. policy in the Caribbean, the consensus for change in Puerto Rico, and the symbolic value of the centennial of the U.S. invasion mark the close of an era and should signal the beginning of a new one. The United States must look toward the 21st century. There will be no more appropriate and less traumatic moment than the present. The United States must act now to safeguard its national interests and recognize the inalienable right of Puerto Ricans to command their own destiny.

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Is Government Too Political?

Alan S. Blinder

A QUESTION OF BALANCE

SINCE THE 1994 congressional elections, America's central political debate has pitted "big government" against "small government." This is a sterile dichotomy that captures the concerns of few citizens. Americans abhor paying taxes and are constitutionally incapable of favoring "big government" in the abstract. Nevertheless, I suspect that voters want more government, not less, in certain key areas—crime prevention, environmental preservation, job security, and education, to name just a few. Naturally, they want less government elsewhere.

The real source of the current estrangement between Americans and their politicians is, I believe, the feeling that the process of governing has become too political. Americans increasingly believe that their elected officials are playing games rather than solving problems. Political debate has too much "spin" and too little straight talk. The system is too argumentative and tied up in partisan and procedural knots. Most important, government appears excessively beholden to those with political clout, often at the expense of the public interest.

In return for these perceived vices, citizens exact retribution from professional politicians: witness the romanticized yearning for a man on a white horse (first Ross Perot, then Colin Powell), the meteoric rise and fall of the anti-politician Steve Forbes, and

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the growing pressure for term limits. Each of these rejectionist phenomena is a Bronx cheer for career politicians.

So what is the solution? Policy without politics? Of course not. But "politicalness" is not something that must be turned on or off like a light switch; it can come in shades, more like a rheostat. We could be having a different debate. It would not be about the scale of government, but about the scope of politics; not about whether government is too "big" or too "small" in some abstract sense, but about what things the government should and should not be doing. And it would be about how political the government's various decisions should be.

Although important, this last question is rarely mentioned. My contention is that one root cause of Americans' current distaste for government is that our system is too political. Short-term electoral considerations and political gamesmanship have fueled much voter resentment. Fortunately, we can do something about it.

It is, of course, neither possible nor desirable to depoliticize government. Policymaking in a democracy must be political—that is, legitimized by popular support rather than by technical analyses. And American democracy, in particular, was designed to be messy and frustrating. But different arrangements for governance draw the line between political and technocratic decisions in different places, and every society must choose where that line should fall. I believe that Americans have decided, almost subconsciously, that we have drawn the line in the wrong place, leaving too many policy decisions in the realm of politics and too few in the realm of technocracy.

LEARNING FROM THE FED

THIS ADMITTEDLY deviant thought occurred to me while reflecting on my recent experiences in two very different government positions. From January 1993 until June 1994, I worked close to the political epicenter of the United States—on the president's staff as a member of the Council of Economic Advisers. From June 1994 through January 1996, I served as vice chairman of the Board of Governors of the Federal Reserve System, an independent agency created—not coincidentally—during the Progressive Era, when reformers believed in making government more "objective" and less "political." The contrast was stark.

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Regardless of who is president, life at the White House is fast-paced, exhilarating, and—of necessity—highly political. Policy discussions may begin with the merits ("Which option is best for the American public?"), but the debate quickly turns to such cosmic questions as whether the chair of the relevant congressional subcommittee would support the policy, which interest groups would be for and against it, what the "message" would be, and how that message would play in Peoria.

These matters are not just apposite in our form of government, they are inescapable. Nevertheless, a policy's merits can quickly get buried under a mountain of political detritus even before the policy emerges from the White House pressure cooker. Then it goes to Congress, where things only get worse. The principles that count on Capitol Hill for Republicans and Democrats alike are the political ones.

At the Federal Reserve, on the other hand, the pace is deliberate, sometimes plodding. Policy discussions are serious, even somber, and disagreements are almost always over a policy's economic, social, or legal merits, not its political marketability. Overtly partisan talk is deemed not just inappropriate, but ill-mannered. The attitudes of particular legislators, interest groups, or political parties toward monetary policy are rarely mentioned, for they are considered irrelevant. And the Fed rarely discusses its "message." The Fed does not always make the right call, but its criteria are clearly apolitical. And its decisions are arguably better, on average, than those made in the political cauldron.

What accounts for the different styles of decision-making? It is not that the Federal Reserve has smarter or more morally upright people in authority. Rather, they labor under starkly different conditions. The White House and Congress are supposed to be political venues. Where else should a great democracy hash out its political differences? But the Fed is an independent agency. Independent of what? Well, mostly of politics. Federal Reserve governors are presidential appointees subject to Senate confirmation, but once they arrive at Fed headquarters they are neither obliged nor expected to do the bidding of the president or Congress. The Federal Reserve was designed to stand above the fray, insulated from politics, making monetary policy on the merits. And it does, to a remarkable degree.

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But what justifies assigning so much power to a small group of unelected officials, nowadays mostly economists? Isn't that undemocratic? The usual defense of central bank independence is more pragmatic than philosophical: It works, and for three main reasons. First, and least important, monetary policy is a somewhat technical field where trained specialists can probably outperform amateurs from the political realm. Second, the effects of monetary policy take a long time to filter through the economy, so good policy decisions require patience and a long time horizon—two attributes not normally associated with politicians. Third, the pain of fighting inflation (higher unemployment for a while) comes well in advance of the benefits (permanently lower inflation). So short-sighted politicians with their eyes on elections would be tempted to inflate too much. For these reasons, more independent central banks in many countries have been able to deliver lower inflation and steadier growth and employment.

The argument for the Fed's independence applies to other areas of government policy.

As Fed vice chairman and since, I have often offered variants of this defense of central bank independence. I believe it. But as I made the case, a nasty little thought kept creeping through my head: the argument for the Fed's independence applies just as forcefully to many other areas of government policy. Many policy decisions require complex technical judgments and have consequences that stretch into the distant future. Think of decisions on health policy (should we spend more on cancer or AIDS research?), tax policy (should we reduce taxes on capital gains?), or environmental policy (how should we cope with damage to the ozone layer?). Yet in such cases, elected politicians make the key decisions. Why should monetary policy be different?

At first my inability to offer an intellectually coherent answer to this question led me to question the justification for central bank independence. If monetary policy decisions really are so similar to, say, tax policy decisions, why should Congress delegate monetary policy to an independent agency while reserving tax policy for itself? A disquieting thought for a central banker!

But as I thought about the matter more deeply, the question started to turn itself around. The justification for central bank independence

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is valid. Perhaps the model should be extended to other arenas. After all, good tax policy requires complex technical judgments and a long time horizon, just like good monetary policy. The tax system would surely be simpler, fairer, and more efficient if the details (though not the broad policy goals) had been left to an independent technical body like the Federal Reserve rather than to congressional committees.

POLITICAL OR TECHNOCRATIC?

So HERE is the broad question of governance that, in my view, the nation should be debating: Would the country be better off if more public policy decisions were removed from the political thicket and placed in the hands of unelected technocrats—subject, of course, to congressional approval and oversight? Upon raising that question, three issues leap to mind. First, which policy matters are ripe for such reassignment and which are not? What principles should govern the choice? Second, how can a democratic society justify handing over important policy decisions to unelected officials? Third, is it realistic to think that government could be depoliticized in this manner?

Two factors that influence whether a particular policy decision belongs in the domain of technocracy or that of politics have been mentioned already: the relative importance of technical expertise versus value judgments and the importance of a long time horizon. Expertise is clearly, if tacitly, valued in public administration. For example, politicians decide on overall funding levels for public hospitals and schools and set broad guidelines for their operation. But experts, for the most part, make the detailed decisions and policy judgments. When politics intrudes on the educational system, the results are usually unfortunate (for example, mandating the teaching of scientific creationism in public schools). Scientific agencies like the National Aeronautic and Space Administration and the National Institutes of Health function in a similar way. Congress does not (usually) decide which approaches to cancer research are most promising or when the space shuttle should fly.

At the extremes, it is easy to tell a technical judgment from a value judgment. No one would want scientists deciding on public policy toward abortion or capital punishment, for example, even though each issue has some scientific aspects. The central questions are fundamentally

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moral and are therefore properly decided in the political arena. But as we move toward the middle of the spectrum, the line between technical and value judgments begins to blur. Consider two economic examples: monetary policy and tax policy.

To decide on the appropriate monetary policy, a member of the Federal Open Market Committee needs, among other things, forecasts of macroeconomic activity and inflation, estimates of the magnitude and timing of the economy's responses to changes in interest rates, and educated guesses about how financial markets would react to alternative policy actions. Each of these evaluations requires technical expertise. But the policy decision also demands a value judgment about the relative importance of the two goals assigned to the Fed by Congress: maximum employment and stable prices. Even if they make identical technical judgments, committee members who attach different moral weights to unemployment and inflation can reach disparate conclusions about monetary policy.

Myopia is a serious practical problem for democratic governments.

The same is true of tax policy. As an example, consider a question that has been debated in recent years: Should the United States lower the tax rate on capital gains? Answering such a question requires technical information, such as evidence on whether a lower capital gains tax would spur saving and investment. But a policymaker must also confront a stark value judgment: If cutting the capital gains tax would encourage more investment but would favor the wealthy, should it be done or not? That is a question for legislators, not technocrats.

The second factor relevant to choosing between technocracy and politics is the importance of a long-run focus. Myopia is a serious practical problem for democratic governments because politics tends to produce short time horizons—often extending only until the next election, if not just the next public opinion poll. Politicians asked to weigh short-run costs against long-run benefits may systematically shortchange the future. Despite this well-known problem, however, few government decisions have been removed from the political thicket. Monetary policy is one of them.

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WHOSE GAIN, WHOSE PAIN?

To these first two factors we must add a third. Some public policy decisions have—or are perceived to have—mostly general impacts, affecting most citizens in similar ways. Monetary policy, for example, certainly has sectoral effects, but it is usually thought of as affecting the whole economy rather than particular groups or industries. Other public policies are more naturally thought of as particularist, conferring benefits and imposing costs on identifiable groups. The details of the tax code and trade agreements are clear examples. In thinking about such issues, economists typically focus on efficiency and resource allocation: How does the policy affect the bill of goods that society produces? But public debate in the political arena invariably concentrates on distributive implications instead: Who gets the gain and who gets the pain?

When the issues are particularist, the visible hand of interest-group politics is likely to be most pernicious—which would seem to support delegating authority to unelected experts. But these are precisely the issues that require the heaviest doses of value judgments to decide who *should* win and lose. Such judgments are inherently and appropriately political. It's a genuine dilemma.

Perhaps one solution is for the electorate to decide which types of policies—such as tax preferences or trade provisions—should be used as redistributive tools and which should not. Then the former could be left to elected politicians and the latter delegated to independent, nonpolitical bodies. But this approach seems altogether too rational; muddling through on a case-by-case basis is more likely.

The comparison between monetary policy and tax policy illustrates the interplay of these three factors—technical versus value judgments, time horizon, and general versus particular effects. Monetary policy has long been depoliticized in the United States, largely because fighting inflation requires a long time horizon. But economists will tell you that tax policy requires peering at least as far into the future. The ultimate impact of any significant change in the tax code can take years to reach fruition. And many tax changes impose large transitional costs as households and businesses rearrange their financial affairs to adapt to the new tax environment. Thus, even if a new law ultimately

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proves beneficial, society may be worse off for several years. Despite this awkward problem, all important tax policy decisions are left in the hands of elected politicians, shortsighted though they may be.

There are other striking parallels between monetary policy and tax policy. In both, the costs precede the benefits, and both involve difficult technical issues about which members of Congress may lack expertise. Moreover, both types of policy decisions rest on value judgments that ought to be made by the elected representatives of the people. The one important difference is that the details of tax policy are more particularist than monetary policy. But it is unclear whether that points toward technocratic or political decision-making.

Overall, then, the similarities seem far greater than the differences. Yet our governing mechanisms for tax policy and monetary policy could hardly be more different. We assign one to the nonpolitical Fed, and leave the other to the intensely political Congress. Have we got the division of labor right?

LEAVE IT TO THE PROFESSIONALS?

On to the second question: How can a believer in democracy justify turning over policy decisions to nonelected professionals? The answer, I believe, is warily. But doing so makes sense if it leads to better public policy. To illustrate, let me return to the example of the Federal Reserve which, while hardly a perfect institution, is probably the clearest existing example of a nonpolitical policymaking body.

How does America reconcile an independent central bank with democratic values? First, the Fed's independence derives from authority delegated by Congress. In the Progressive Era, politicians made a once-and-for-all decision to limit congressional power in this way. They did so for the same reason that Ulysses tied himself to the mast: he knew he would get better long-run results even though he might rue his decision in the short run. The decision was democratic because Congress voted for it democratically. And Congress can undo it any time it sees fit.

Second, the Fed's basic goals are chosen by elected politicians, not by nonelected officials. The Federal Reserve Act directs—and I choose that verb advisedly—the central bank to pursue both "maximum

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employment" and "stable prices." The Fed is not free to jettison either goal, or to substitute an alternative goal more to its liking.

The third ingredient in the democratic stew is that the people at the top of the Fed are politically appointed. This is as it should be; it is what gives Federal Reserve governors political legitimacy.

Fourth, the public has a right to demand honesty, a certain amount of openness, and a high degree of accountability from its central bankers in return for their broad grant of power. Because monetary policy actions profoundly affect the lives of ordinary people, a central bank in a democracy owes those people an explanation of what it is doing, why, and what it expects to accomplish. While on the Federal Reserve Board, I often criticized the Fed's penchant for obfuscation and mystery on these grounds—and I still do.

Finally, in a democracy, the central bank's decisions should be reversible by the political authorities, but only under extreme circumstances. A Federal Reserve decision on monetary policy can in principle be overturned by an act of Congress. And Fed governors can be removed from office for good cause. These mechanisms have never been used, but America is wise to have them in place. Delegated authority must be retrievable.

With suitable modifications, similar democratic principles could be applied to other independent policymaking agencies. If such a body were established to run tax or environmental policy, it should exercise delegated authority that Congress could retrieve if it saw fit, and its basic goals should be set by Congress. The agency should be required to be considerably more open and accountable than the Fed, and its top officials should be politically appointed and removable for cause.

TAXATION WITHOUT OBFUSCATION

AN ILLUSTRATION of how these principles might be applied may help clarify matters. Without necessarily advocating such a change, let us consider how Congress might make some aspects of tax policy less political.

An independent federal tax authority might consist of presidential appointees serving fixed terms and removable only for

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cause, much like the Federal Reserve Board. These political appointees would have a highly skilled technical staff of nonpolitical civil servants, most of whom could be drawn from what are now the Treasury's Office of Tax Analysis and the staff of the Congressional Joint Committee on Taxation. Unlike the Federal Reserve, the authority would be required to explain in detail the reasoning behind its decisions, and to open its supporting materials to public scrutiny.

Congress could make tax policy less political by creating an independent tax authority.

The legislation establishing the authority should set its basic goals. Should the United States tax income, consumption, or something else? Should the authority strive for tax neutrality or should it seek to encourage particular activities such as saving, homeownership, or charitable contributions? What distributional goals should it seek? Congress now provides tacit answers to these questions through its actions. But these answers often form an unprincipled and inconsistent hodgepodge. One salutary effect of the proposed reform would be to make these clearly political decisions more explicit. Forcing politicians to take explicit stands on these general issues might even increase, rather than diminish, democratic accountability.

Having set the basic goals and parameters, Congress could do one of two things. It could explicitly delegate certain limited policymaking powers to the authority while reserving the most basic decisions for itself. Or it could direct the authority to design all the details and then subject the whole package to a single up-or-down vote.

Such a division of policymaking labor would improve policy design by assigning specific decisions to the persons best equipped to make them. Elected officials would select the ends of tax policy because ultimate goals hinge sensitively on moral, political, and value judgments that should be made democratically by elected politicians. But appointed professionals would design the means to achieve those ends, presumably choosing them on nonpartisan, technocratic grounds. Such a change in institutional arrangements would almost certainly produce a tax code far more efficient and just than the present one.

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PUTTING PRAGMATISM INTO PRACTICE

Is THE idea of less political decision-making practical? Can it be done in the United States today? I believe the answer is yes. The Federal Reserve is not flawless, but it is an outstanding example of technocratic policymaking—and its star is shining as never before. Moreover, experience with other government agencies and institutional arrangements point in the same direction.

While no other agency has the full policymaking authority that the Fed has over monetary policy, the U.S. government is replete with independent agencies that were designed to insulate decision-making from political influence. The Securities and Exchange Commission and the Food and Drug Administration are two prominent examples. They are not perfect, but they work.

Congress has had similar success with the Base-Closing Commission. Some years ago, finding itself tied up in political knots over which military bases to close, Congress delegated much of its authority in the matter to a nonpartisan commission working with experts from the Pentagon. The idea was to insulate the process from political pressures, leaving Congress with a single up-or-down vote on the entire list. The experiment is now viewed as a noteworthy success and illustrates a crucial point about feasibility: in some areas Congress may be willing, and sometimes eager, to relinquish power, especially when the issue involves the apportionment of pain.

Lastly, consider "fast track" authority for trade agreements. When the U.S. government negotiates a trade agreement, many issues are on the table. Because it is certain that any agreement will create both winners and losers, the relevant interest groups are mobilized for battle. If Congress were to vote on each component of a trade pact individually, politics-as-usual would probably pick any proposed agreement apart—leaving our trade negotiators in an untenable position. So Congress typically grants the administration "fast track" negotiating authority for a limited period of time, and under certain stipulations. When negotiations are complete, Congress votes yes or no on the entire package with no amendments permitted. (At least that's the idea; the reality is somewhat less tidy.)

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So the question before us is not one of feasibility. Policymaking can be made less political, and several contemporary examples illustrate the principle in action. It even seems to work tolerably well. The real issue is desirability. Do we want to take more policy decisions out of the realm of politics and put them in the realm of technocracy?

My strong suspicion is that if faced with such a question, our disgruntled electorate would answer with a resounding yes. But that is a proper subject for public debate. There are, after all, cogent arguments on the other side. For example, the scientific evidence on important public policy issues is rarely conclusive; more often than not, it leaves lots of room for interpretation and judgment calls. And even unelected technocrats have political and ideological views, which inevitably color the calls they make. We see this in the courts, at the Fed, at the Securities and Exchange Commission, and elsewhere.

FIXING WHAT'S BROKEN

ALL SOCIETIES tend to see their current governing institutions as immutable, as if they were the natural order of things. But they are not. What men and women have created, they can change—and change they should when these institutions grow dysfunctional. I have always opposed change for its own sake—if it ain't broke, don't fix it. But the public's evident disdain for the current system of governance is leading more and more Americans to tune out in disgust, wishing a plague on both political parties. Such attitudes weaken American democracy and suggest that the system is indeed broke and needs to be fixed.

Two popular nostrums are on offer as remedies for our political ills: either "less government" in some abstract sense, or "devolution" of government functions to lower levels. I do not believe that either holds the answer to what irks Americans. The time has come instead for a real national debate over a question that no one seems to be discussing: Might policies be better, and American democracy stronger, if more public policy decisions were made on less political grounds? It is not an impossible dream.

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Global Public Policy

Wolfgang H. Reinicke

GOING GLOBAL

GIVEN THE widespread use of the term globalization, it is surprising how little we know about it. In most cases, it is asserted but never defined. Those who do describe it characterize it as a continuous increase of cross-border financial and economic activities leading to greater economic interdependence. Essentially, interdependence and globalization are used interchangeably. This creates a paradox: the same term that is understood as a mere quantitative rise in a trend going back to the 1960s is also used to refer to a fundamental qualitative change in the international system, predicting perhaps the end of the nation-state. If the former is true, there is little need for governments to reassess their role, or that of the institutions and principles that have governed the world economy since the end of World War II, in view of globalization. If the latter holds, it becomes necessary to draw a distinction between economic interdependence and globalization, a distinction that provides a basis for reassessing the role of government and governance in an emerging global economy.

Unlike interdependence, which narrowed the distance between sovereign states and caused closer macroeconomic cooperation, globalization is a microeconomic phenomenon. Globalization represents the integration of a cross-national dimension into the very nature of the organizational structure and strategic behavior of individual companies. The cross-border movement of intangible capital, such as finance, technology, and information, allows companies to enhance their competitiveness.

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While in the 1960s and 1970s foreign direct investment closely correlated with world output and trade, it expanded at an average of 16 percent annually between 1985 and 1995, compared with 2 percent and 7 percent, respectively, for output and trade. Most of this additional investment was concentrated in the countries of the Organization for Economic Cooperation and Development and a few developing countries and consisted of mergers and acquisitions in research and development-intensive industries. Controlling for the opening of both China and the former Soviet bloc, which attracted almost no investment before 1985, the share of foreign direct investment going to the developing world actually dropped. The pattern of corporate alliances and collaborative agreements confirms this picture. Such alliances have multiplied during the last decade, and close to 90 percent have occurred in OECD countries.

These changes have had qualitative implications for international trade, which increasingly is structured and restructured by foreign direct investment and international alliances. Today about 70 percent of world trade is intra-industry or intra-firm. Both are closely tied to global corporate strategies, and neither has much to do with the textbook case of comparative advantage. The mid-1980s advent of securitization transformed the financial world, facilitating global corporate strategies, giving foreign debtors and creditors access to domestic financial markets, and contributing to the skyrocketing growth of cross-border capital flows during the last decade. In particular, the market for derivative instruments has led to greater growth and volatility of international capital flows. In 1995 the combined annual value of global trade and foreign direct investment amounted to only six days of turnover on the global foreign exchange markets.

These data show that much of the past decade's international economic activity reflects the internal but cross-border restructuring of corporate activities. In many cases, corporations absorb foreign capital stock, enveloping economic activities that were once conducted on the open market. Alliances such as long-term supplier agreements and licensing and franchising contracts are also not fully exposed to market forces. Globalization is resulting in the emergence of a single integrated economy shaped by corporate networks and their financial relationships. Reliable data for intra-firm trade exist only for the

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United States, but in 1994 this off-market trade accounted for approximately 40 percent of total U.S. trade. Governments continue to register these internal transfers not because they are traded but because they cross borders. Although the practice is widespread, equating globalization with the emergence of a global market economy can be misleading.

Interdependence was an important precursor of globalization. It led to the creation of international regimes like the General Agreement on Tariffs and Trade and the International Monetary Fund and it was an important causal factor in encouraging globalization. Like technological innovation, the deregulation and liberalization of cross-border economic activity fostered an environment that not only permitted but compelled companies to adopt global strategies. The public policy response by governments to increased interdependence cannot also be its consequence. Before considering policy responses to globalization, it is necessary to examine the challenges globalization presents to governments and how they differ from those of interdependence.

THREATENING DEMOCRACY

GLOBALIZATION CHALLENGES sovereignty, but so did interdependence. Neither interdependence nor globalization can challenge the legal sovereignty of a state—only other states can. If anything, these forces challenge the operational sovereignty of a government, that is, its ability to exercise sovereignty in the daily affairs of politics. Sovereignty has two dimensions, internal and external. The internal dimension is the relationship between the state and civil society. Following Max Weber, a government is internally sovereign if it enjoys a monopoly of the legitimate power over a range of social activities, including economic ones, within a given territory. That power is embodied in the domestic legal, administrative, and political structures that guide public policies. With respect to the economy, internal sovereignty takes effect when governments collect taxes or regulate private sector activities.

The external dimension of sovereignty refers to relationships among states in the international system. These relationships are defined by the absence of a central authority. As Thomas Hobbes put it, anarchy is the rule of the international system. External economic sovereignty comes into play when, for example, countries collect

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tariffs and alter their exchange rates. Economic interdependence challenges this dimension of state sovereignty. Governments have responded by following the principles of liberal economic internationalism, endorsing the gradual reduction of their external economic sovereignty by lowering tariffs and capital controls.

Global corporate networks challenge a state's internal sovereignty by altering the relationship between the private and public sectors. By inducing corporations to fuse national markets, globalization creates an economic geography that subsumes multiple political geographies. A government no longer has a monopoly of the legitimate power over the territory within which corporations operate, as the rising incidence of regulatory and tax arbitrage attests. By no means does this imply private sector actors are always deliberately undermining internal sovereignty. Rather, they follow a different organizational logic than states, whose legitimacy derives from their ability to maintain boundaries. Markets, however, do not depend on the presence of boundaries. While globalization integrates markets, it fragments politics.

The threat to a government's ability to exercise internal sovereignty implies a threat to democracy. Although individuals may exercise their right to vote, the power of that vote in shaping public policy decreases along with a state's internal sovereignty. Persistent weakness in internal sovereignty will cast doubt on democratic institutions. It is an important factor in the declining trust in democratic institutions of governance and one to which governments must respond.

PUBLIC POLICY WITH BORDERS

POLICYMAKERS ARE likely to respond to challenges to internal sovereignty in two ways, variants on what is essentially an interventionist strategy. Defensive intervention relies on economic measures such as tariffs, nontariff barriers, and capital controls, forcing companies to reorganize along national lines. If economic nationalism fails to arouse broad popular support, its political counterpart—territorial secession and partition—may do so. Alternatively, policymakers can intervene offensively with subsidies or competitive deregulation. Under these circumstances, states themselves become global competitors, seeking to entice corporations to set up shop within their territory. Among

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OECD countries, subsidies grew 27 percent from 1989 to 1993 and competitive deregulation has become common among financial centers and, more recently, among national tax jurisdictions. The use of offensive intervention has increased as policymakers attempt to broaden the reach of internal sovereignty to match the economic reach of corporate networks. Two recent examples are the Helms-Burton Act and California's attempt to impose its unitary tax code on companies like Barclays and Colgate-Palmolive.

None of these responses bodes well for international relations. Protectionism by one country, irrespective of its intentions, leads to retaliation and jeopardizes the world economy. Subsidizing an industry to gain competitive advantage will not advance integration, but rather divert scarce public funds from important public policy goals. Competitive deregulation may not lead to disintegration, but it defeats the original purpose of the policy; a fully deregulated market further reduces a government's internal sovereignty. Extraterritoriality is no friend of deeper integration either. Other states will retaliate against a dictate. Finally, redefining political geography through partition only gives the appearance of greater control of policy. Partitioning a country focuses exclusively on the external dimension of sovereignty. In no way does it insulate governments from the challenges of globalization. If anything, it makes them more vulnerable.

All these responses emphasize territoriality as an ordering principle of international relations, a condition that integration has tried to overcome and that the end of the Cold War appeared to have secured. All are at odds with globalization and will succeed only if the achievements of interdependence are reversed. The popularity of these policies has increased considerably since the early 1990s. In many countries, political opportunists have taken advantage

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of the public's fear concerning the declining effectiveness of internal sovereignty. Unless policymakers find a better alternative, governments may be forced into these counterproductive measures to halt the loss of internal sovereignty and the further erosion of confidence in democratic institutions.

NEW PARTNERS

ANY ALTERNATIVE strategy must avoid the pitfalls of territoriality. Forming a global government is one response, but it is unrealistic. It would require states to abdicate their sovereignty not only in daily affairs but in a formal sense as well. A more promising strategy differentiates governance and government. Governance, a social function crucial for the operation of any market economy, does not have to be equated with government. Accordingly, global public policy uncouples governance from the nation-state and government.

To implement such a strategy, policymakers would delegate tasks to other actors and institutions that are in a better position to implement global public policies—not only to public sector agencies like the World Bank and the IMF, but also business, labor, and nongovernmental organizations. These groups not only have a stake in the outcome and better information, but have a boundless range of activity. Such public-private partnerships would increase the legitimacy of global public policy and produce a more efficient and effective policy process. Whether grappling with global financial regulation, environmental protection, transnational law enforcement, the control of dual-use technology, or other issues, public-private partnerships could provide the foundation for global public policy.

Critics of such an approach will correctly question the wisdom of placing private and public interests under the direction of the same institution, charging that the public's interest is likely to be neglected. The limited experience with mixing public and private regulation at the national level supports these skeptics. But rather than abandoning global public policy, the current shortcomings of mixed regulation should be addressed. First, greater transparency is necessary. Strict principles of disclosure and guaranteed access for interested parties would raise public confidence. Second, corporations must facilitate

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public-private partnerships by improving their own internal control and management structures. Independent audits and incentives that discourage excessive risk are examples. The better these controls, the lower the risk of market failure and the need for outside regulation. Those with doubts about public-private partnerships and global public policy should consider the danger of the alternatives.

KEEPING UP WITH THE TIMES

GIVEN THE still limited reach of globalization, international relations remains characterized by the coexistence of interdependence and globalization, cutting across countries and industries. Globalization dominates relationships between advanced industrial countries. The increasing focus on nontariff barriers ranging from financial regulation to health, environmental, and safety standards is a telling example. Interdependence remains the rule for industrializing countries. External sovereignty and territorial interests remain important factors in determining their foreign policy. In North-South relations, the coexistence of interdependence and globalization is reflected in the changing mandate of international organizations such as the World Trade Organization, which no longer focuses exclusively on free trade but has been pressed by the industrialized countries to pursue free trade with an eye to environmental protection and minimum labor standards. The dynamics of interdependence and globalization also coexist in individual economic sectors, such as financial services. At the same time that industrialized countries, through the IMF, the WTO, and the OECD, are encouraging developing nations to deregulate and liberalize their financial markets, they are attempting to establish global public policies that can respond to the consequences of the deregulation and liberalization of their own financial services industries.

The coexistence of interdependence and globalization is not yet reflected in the world's approach to a growing number of transnational policy issues. At a minimum, the institutions of interdependence, such as the IMF, and of globalization, such as the Joint Forum, which brings together regulators from the banking, securities, and insurance industries, should cooperate much more closely. In many cases, policy efforts to promote interdependence and global public policy may best be

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located under one roof. A united effort would help avoid bureaucratic overlap and turf fights between international institutions and permit a more integrated approach to developing economies' dual challenge of national liberalization and global public policy.

As for the security ramifications of the now largely interdependent and rapidly globalizing world, it will no longer suffice for the architects of international security to view international relations along traditional lines. The coexistence of interdependence and globalization places new demands on international security. Combining external and internal sovereignty in a constructive way will be a significant challenge. Whereas external sovereignty depends on the ability to exclude, internal sovereignty depends on the ability to include.

While globalization integrates markets, it fragments politics.

The shifting demands on international security will also transform the domestic politics of security policy. The challenges emanating from globalization do not usually threaten a country's overall security or territorial integrity. The threats are diffuse and seldom directed at an entire country, often challenging specific groups and in some cases individuals. These threats come from global networks of nonstate actors in domains as diverse as communication, finance, technology, and transport. Anticipating and measuring them will be difficult, as will mustering support for collective national responses to them. Policy coalitions to counter these new threats will transcend national boundaries, calling into question the very concept of national security.

As globalization reaches more countries, international institutions charged with security management will have to expand their ability to handle issues of internal sovereignty. The debate over the future of NATO is a case in point. Opponents of NATO enlargement focus on external sovereignty, emphasizing the policy's territorial consequences. Proponents stress internal sovereignty, recasting the alliance's mission as the promotion of democracy and civil society. Given the political bias in favor of enlargement, whether or not NATO should be enlarged may be the wrong question. The real question is whether NATO members are prepared to choose the right mix of external and internal sovereignty,

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one that reflects the changing composition of European and global security demands and engages Russia.

The need for inclusiveness extends beyond NATO enlargement. The data on foreign direct investment and corporate alliances demonstrate that large parts of the world economy remain excluded from globalization. With internal sovereignty becoming an issue of international relations, this suggests a strategic vision that places the international financial institutions, such as the IMF and the World Bank, and regional development organizations at the center of future international security. The World Bank has already begun to shift its attention to aspects of internal sovereignty, including good governance, poverty reduction, and conflict prevention, and it should continue in that direction. The IMF has begun to focus on such matters as global financial system regulation, money laundering, tax collection, and corruption. By drawing attention to the economic consequences of excessive military spending, both institutions have questioned a country's requirements for the preservation of external sovereignty when basic elements of internal sovereignty can no longer be financed. Five decades ago these institutions were given the mandate to manage growing interdependence. Their future lies in the management of globalization and global public policy. Without adjustments, the institutions will not be in a position to pursue this new mandate, let alone rationalize their continued existence.

Globalization's success depends on North-South transfers of capital.

For now it should be clear that globalization's success depends on North-South transfers of capital, tangible and intangible alike. In 1990, 44 percent of all long-term financial flows to developing countries came from private sources, the remainder being public financial flows. By 1996, the share of private financial flows had increased to 86 percent. The bulk of North-South transfers will continue to come from the private sector. But if global public policy is to succeed, it requires public funds. Without this assistance, developing countries will not be able to participate too. Renewed calls for development assistance may seem vain, given the difficulty rationalizing foreign aid after the Cold War. But resource transfers

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to promote global public policy are neither foreign nor aid, but an investment that provides returns to all.

TOWARD A GLOBAL PUBLIC POLICY

INTERNATIONAL RELATIONS is at a crossroads. The interventionist strategies outlined above should not be dismissed as politically ill-fitting. Such strategies are increasingly popular, as seen in the last French election, the Iran-Libya Sanctions Act, and Quebec's attempt at secession. Consequently, external sovereignty will once again come to dominate relations between states, ultimately increasing the risk of territorial conflict.

The alternative scenario, global public policy, does not contest internal sovereignty as an organizing principle, but it does contest its territoriality. It demands political leadership and institutional change, both of which are in short supply. It also requires the willingness of private and nongovernmental actors, especially in the global corporate community, to cooperate closely and share responsibility in implementing public policy while ensuring democratic principles.

The world economy consists of a growing number of global corporate networks. The current state of global governance, however, resembles at best a cross-national policy patchwork, conspicuous for its missing links and unnecessary overlaps. If global public policy is to be an alternative to interventionism, governments must ensure that these patchworks evolve into networks of governance. Their first step should be to commission a global governance audit that would map global obligations and responsibilities along different dimensions, including functional, financial, institutional, and structural. The New York-based Center on International Cooperation has recently initiated an effort along those lines.

The next step would be to fill the most important gaps identified in each policy area. National bureaucracies, not just the top leadership, need to establish permanent channels of communication on cross-border economic activity. The recent failures of financial regulation evidenced in the case of Barings and Daiwa Banks confirm the need for such networking, but it must go far beyond the domain of global financial markets. Policymakers should meet periodically

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to share experiences and techniques. Greater cooperation between international institutions would prevent unnecessary duplication of activities and an agreed-on division of labor on global governance could contain turf fights that have erupted in recent years. The December 1996 agreement on collaboration between the IMF and the WTO is a welcome start. But as the World Bank's experience in the former Yugoslavia has shown, the exchange of information and coordination of activities must extend to humanitarian and security organizations, such as NATO and the Organization for Security and Cooperation in Europe, which are also confronted with the challenges of eroding internal sovereignty.

> The nation-state as a sovereign actor will become a thing of the past.

Finally, while multigovernment networks are a precondition for global public policy, they are by no means the only one. Unless governments and international organizations create and use cross-national structures of public interest, global public policy cannot emerge. In policy areas such as environmental protection, humanitarian assistance, and financial regulation, support for such structures has grown. But too often this support came as a hasty reaction to a crisis and not as part of a well-executed strategy. Cross-national social networks will signal the foundation of a global civil society and be vital to the legitimacy and accountability of global public policy.

Probing further into the future, including the future of the nation-state itself, one must recognize that globalization has ended the nation-state's monopoly over internal sovereignty, which was formerly guaranteed by territory. Outsourcing anarchy to the international system, as Hobbes did, will no longer guarantee internal sovereignty at home. This change deprives external sovereignty of its functional value.

The nation-state as an externally sovereign actor in the international system will become a thing of the past. But this will only happen if internal sovereignty is realized through global public policy. This requires political elites to dissociate themselves to some degree from territory and create more dynamic and responsive institutions of governance. Anarchy is no longer just the outcome of,

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but also the cause for state interests in the international system. Whether and how long this evolving hybrid is called a nation-state should be of little concern. The administration of sovereignty has changed many times over the centuries; the nation-state is a relatively recent form of governance and it has no claim to perpetuity. While the territorial state may eventually become redundant, the principles and values that govern democracies should not. Steps should be taken now to support the notion of global public policy so that society will be better equipped to respond to the demands of globalization.

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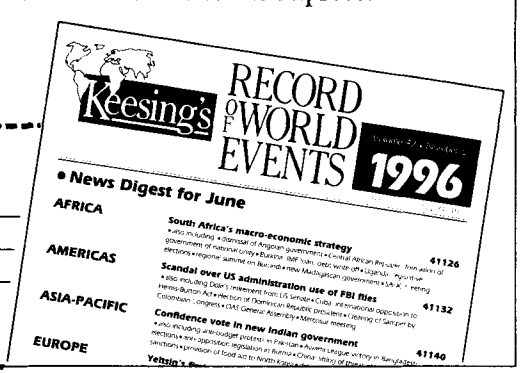

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Reviews

CORBIS-BETTMANN

Japanese traders sleep at the Tokyo Stock Exchange

The West no longer feels threatened by Japan, but unfortunately an unthreatening Japan comes across as a bore.

Japan's Full Story *Nicholas D. Kristof* 140

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Review Essay

Japan's Full Story

Inside and Outside of the Cabinet

Nicholas D. Kristof

The Clash: U.S.-Japanese Relations Throughout History. BY WALTER LAFEBER. New York: W.W. Norton & Company, 1997, 508 pp. $29.95.

Altered States: The United States and Japan since the Occupation. BY MICHAEL SCHALLER. New York: Oxford University Press, 1997, 299 pp. $30.00.

Politicians and analysts in the 1980s recited the line, "The Cold War is over, and Japan won," but now that seems ridiculous. "The Cold War is over, and Japan vanished," seems more accurate today. Japanese companies are no longer feared, and Japanese management inspires not envy but ridicule. Books and movies like *Rising Sun* relied on an audience's perceptions of Japan as ominous and exotic. It is nice that the West no longer feels threatened, but unfortunate that an unthreatening Japan comes across as such a bore. America's future could be stamped, in large part, "Made in Asia."

Most thoughtful people are aware of the huge stakes riding on China's evolution, but Japan's direction is also important for the future of the West.

Think of the uncertainties about Japan in the coming decades: Is Japan abandoning its postwar peacenik role and returning to a more muscular military policy? Will Japan deploy nuclear weapons? Is its economy, the world's second-largest, beginning a recovery that will pull the country out of its quagmire and again inspire awe around the world? My answers to those questions (yes, no, and yes) are just guesses. One can make a cogent argument for the opposite conclusion in each case, and America's own prospects will depend partly on the answers.

Publishing is one of the few sectors that is still devoting attention to Japan, and the result has been a series of good books over the last year or so. Frankly, I suspect that this is because of the time lag in publishing; these books were

NICHOLAS D. KRISTOF is Tokyo Bureau Chief for *The New York Times* and co-author with Sheryl WuDunn of *China Wakes*.

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probably planned in days when Japan seemed sexier. Recent entrants include Sheldon Garon's *Molding Japanese Minds*, Kent Calder's *Pacific Defense*, and Michael Armacost's *Friends or Rivals?* The two books reviewed here can be added to the list. Both are engaging and worthy works of history, and that history is a starting point for looking at Japan's future.

Altered States, a meticulously documented diplomatic history of postwar Japan by Michael Schaller, a professor of history at the University of Arizona, is a distinguished work of scholarship, painstaking and eminently reliable. Schaller focuses on the period from 1945 to the early 1970s, with a brief section taking U.S.-Japanese relations to the present. This is not exactly virgin ground, but Schaller covers it comprehensively and stylishly, with new details throughout.

Walter LaFeber's history, *The Clash*, is a bit different—and a better read. LaFeber is a historian but not a Japan specialist, and there are a few minor mistakes as a result (at least in the advance review copy that I read), but he brings a fresh eye and a wonderful historical sweep to his work. Indeed, he writes so knowledgeably without the benefit of the Japanese language that I wondered why any of us ever bothered to slave away over it. LaFeber covers the period from the 1850s to the present, recording the drama of the opening of Japan, the Meiji restoration, the victory over Russia in 1905, the buildup to World War II, and the upheavals since. Japan's rise from the sealed-off island nation of the nineteenth century to one of the world's great powers today is an extraordinary story, and LaFeber tells it with gusto. *The Clash* emphasizes that Japan and the United States have regularly been drawn into conflict, often because they operate by different systems of capitalism, the chaotic American kind versus the centralized, heavily regulated Japanese variety. He emphasizes that China has always added an unstable element to U.S.-Japanese relations and predicts that Washington and Tokyo will continue to clash.

I tend to disagree. My best guess is that the era of Japan as a prime bogeyman is over, partly because Japan's economy is becoming more open and trade disputes are now more abstruse. Washington and Tokyo are battling it out over trade issues like complex Japanese port practices, which are not the kind of thing that figures easily into American campaign speeches or the six o'clock news. Moreover, as Japan's population ages, its savings rate should drop and its current account surplus is expected to decline, further easing the tension. But more important, Americans are not just monotheistic but also monodemonic. They like to have an evil force out there, but only one at a time. The United States had Japan audition for the role as the Soviet Union collapsed from Evil Empire to Pathetic Empire, but now China seems more likely to get the part and seems better cast to stir an American audience. China's trade surplus is becoming more ominous and Beijing is indisputably protectionist, so that the Chinese government can be perceived simultaneously as a trade, human rights, and arms proliferation villain. So while LaFeber is right that there will be clashes in the future, my guess is that they will be more subdued in the coming decades.

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FIRST, SECOND, AND THIRD IMPRESSIONS

These two books are serious and scholarly, the kind that you can put down. Yet both are gracefully written, with an eye for an amusing phrase or colorful quote, and they are sober in their judgments. Indeed, one wishes they had been a bit less sober, perhaps, a tad more inclined to make arguments instead of simply recounting the past. Both are conventional histories, recording dates and facts rather than presenting a major new argument or interpretation. Still, both have benefited from materials released in recent years, such as declassified American documents about CIA payments to the Liberal Democratic Party in the 1960s.

The history of U.S.-Japanese relations is important because America and Asia have always talked past each other, attracted to each other and seeking approval but quarreling nonetheless. If men are from Mars and women are from Venus, then Asians and Americans are from different galaxies.

That is how history can help. Above all, the clear lesson of Asia is humility. Bilateral history is full of extraordinary misjudgments, beginning with the first accounts by Japanese of Westerners. Japanese noticed that Westerners wore heels on their shoes and concluded that this was because their heels, like those of dogs, did not quite touch the ground. Indeed, some Japanese concluded that European men lifted one leg when urinating.

Americans came up with their fair share of misjudgments, as when Secretary of State John Foster Dulles predicted that Japanese products had "little future" in America because they were just "cheap imitations of our own goods." Holding up a brightly patterned American flannel shirt and a Japanese copy on cheaper cloth, Dulles scolded his hosts for believing that Americans would ever buy the copy. It is perhaps for the best that Dulles stayed in diplomacy and did not try his hand at business consulting.

Premises that were just plain wrong have formed the basis for America's policies toward Japan (and vice versa). The United States has not done anything quite so self-destructive as Japan's attack on Pearl Harbor, but the focus of American policy toward Asia from the late 1940s through the 1960s was on preventing Japan from becoming communist. Schaller makes this particularly clear. Eisenhower warned Congress in 1954 that unless the United States opened its markets to Japanese goods, America might "lose Japan." Then "the United States would be out of the Pacific and it would become a Communist lake." Eisenhower told another audience that unless the United States helped Japan and boosted trade with it, "What is to happen to Japan? It is going to the Communists."

This fear of a communist takeover of Japan was not a minor part of the equation. It was at the core of policymaking, leading Washington to its famous "reverse course" in the late 1940s. The initial impulse of the American occupation of Japan had been remarkably socialist, but fear of strikes and communism pushed the United States to go in the other direction, cracking down on communists and labor organizers and releasing war criminals who had the virtue, at least, of being conservative. Prime Minister Yoshida teased: "You Americans are very difficult. We had all the communists in jail when you occupied the country in 1945. Then you told us to release them. Now you ask

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us to find them and put them in jail again. A very cumbersome process."

The communist phobia prompted American officials during the occupation to encourage Japan to anoint a Ministry of International Trade and Industry as the central organ of industrial planning. This phobia explains why American officials later helped Japan send its exports to the United States. As Schaller writes, "Japan's Government-guided, export-driven economy, later described as a 'capitalist development state' or, less charitably, 'Japan, Inc.,' was nurtured by American directives."

Of course, it is easy to say in retrospect that communism was never a real threat in Japan. But it should have been pretty easy to say then, too. Japan is in many ways a deeply conservative country, hierarchical and respectful of tradition and authority, so that while feudalism or fascism were perhaps possibilities, communism was not. In Asian countries in which communism did take hold, such as China, North Korea, and Vietnam, it was fundamentally a spasm of nationalism. But Japan had nationalistic symbols, like the emperor, that were antithetical to communism.

Paradoxically, the main force that bolstered communism in Japan was not plotting in Moscow but arrogance in Washington. It was precisely because the United States kept treating Japan as its puppet in the 1950s that leftists began to gain nationalist credentials and the elected leaders began to look like quislings. The 1960 riots against the security treaty that America imposed on Japan created such upheaval that the historian John Welfield wrote, "Japan showed every indication of emerging as America's Hungary." While a communist revolution was almost unimaginable in Japan, if it had happened, Khrushchev could have sent the State Department a thank-you note.

MORE THAN THE PRIME MINISTER'S AGENDA

I have one complaint about both books. It is perhaps unfair, but it goes to the heart of what is important in Japan these days. These books, particularly Schaller's, are both diplomatic histories, and I question whether diplomacy is really as important to postwar Japan's history as most people think. The books are filled with prime ministers doing this, foreign ministers doing that, which is how most scholars approach Japan. But focusing to such an extent on politicians and diplomats is really not fruitful in the case of Japan.

Fernand Braudel and other twentieth century historians have reshaped our understanding of what history can be by emphasizing not only reigns, dates, and generals but broader trends. They look at how people live, at demographics and agriculture, and their work underscores that the best history is sometimes about peoples and not just persons. Indeed, some recent Japanese-language history books have offered this kind of broader look at the nation's social history.

Both social-economic history and also the more traditional political-military history are necessary to understand the past. But in the case of modern Japan, history books have been overwhelmingly devoted to cabinet ministers rather than the people, and I feel a twinge of regret that two more books by such fine historians should focus on what is arguably secondary. The need for a different historiography is particularly important in the case of Japan. In Europe, the centuries are full

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of extraordinary leaders who changed the lives of their peoples. But in Japan, the last few centuries have more often produced extraordinary people who changed their leaders.

The essential point is that for historical and cultural reasons, Japan is not a country that spawns powerful leaders who single-handedly pull the nation in one direction or another. The last individual who really shaped Japan in his own image was Ieyasu, the warlord and *seii tai shogun* ("barbarian-subduing generalissimo") who lived 300 years ago and founded the Tokugawa shogunate. Since then, Japan has shifted course and made momentous decisions, but usually through a process of consensus or *nemawashi*—the same cycle of endless discussions and meetings that characterize decision-making in Japanese companies and ministries today. In the war years, Hideki Tojo was regarded by many in America as the villain in Japan, but he was a weaker leader than Roosevelt or Churchill, and certainly far weaker than Stalin or Hitler.

In the postwar period, particularly after Prime Minister Yoshida, who was an unusually strong leader, Japanese leadership has been even weaker. As Henry Kissinger noted, "A Japanese leader does not announce a decision; he evokes it." More than leaders elsewhere, Japanese leaders are engaged less in action than in reaction; the national agenda is shaped to a great extent by unexpected events that affect public opinion and thus constrain the options for political leaders.

As a result, the main forces that have shaped postwar Japanese life, I would argue, are not politics or individuals, but the economic boom, urbanization, demographic change, the shifting status of women, and various unexpected incidents. One can argue that in the 1950s the most important factor in U.S.-Japanese relations was not Liberal Democratic Party politics but the death from radiation of crew members of the *Lucky Dragon*, a Japanese fishing boat that happened to be near the American nuclear test at Bikini. The *Lucky Dragon* episode helped create the enormous hostility in Japan toward nuclear weapons and led to tremendous distrust of American officials. It also helped breed annoyance among Japanese that their government always seems to follow the United States so loyally, behaving, as they say in Japanese, like *kingyo no unko*—a goldfish's poop. It is not a simile that is intuitively obvious to Americans, but it arises because a goldfish's droppings trail after it. In fairness, both books discuss the *Lucky Dragon* episode, although perhaps not so thoroughly as they should have.

LaFeber mentions in a lone paragraph the rape of a sixth-grade Japanese girl on the island of Okinawa two years ago by several United States marines. Yet that incident was not just some peripheral news story but an episode that profoundly shook bilateral relations and still reverberates. It generated rage at the American military presence in Japan and Okinawans' frustration at their treatment by the rest of Japan. It helped end the taboo in Japan against discussing security issues and provoked a far-reaching debate about military ties with the United States. It forced the United States to announce the consolidation and closure of some of its facilities on Okinawa, and it led the Japanese government to explore ways to treat Okinawa more equitably. One can make the case that no one has

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affected U.S.-Japanese relations more in the last few years than those marines.

DODGERS DIPLOMACY

Diplomacy is one chessboard that engages America and Japan, and so it is worthy of historical accounts. But countless other chessboards help determine the relationship as well. Americans and Japanese visit each other's countries, watch each other's movies, and marry each other, creating direct ties that shape the overall relationship greatly. Ambassador Walter F. Mondale, perhaps because of his political experience, has an acute sense of the importance of these ties. I remember seeing him once just after he had lunched with Kunihiko Saito, then the top Foreign Ministry official, now ambassador to Washington. Mondale laughed, "We talked it over and decided that neither of us will have nearly the influence on bilateral relations that Hideo Nomo will." Nomo pitches for the Dodgers.

To be sure, one can argue that all of today's chessboards, however important, are possible only because of Japan's aggression and defeat in World War II—that the social history is mere detail arising from the political-military framework. That raises the question of whether the political-military structure is again in transition, leading to a new kind of Japanese society. But such a perspective is too narrow. It looks at only half the seesaw, noting the way politics shapes society without acknowledging the reverse process. In fact, the two interact constantly.

While political science was perhaps the most useful field for analyzing the Soviet Union, economics or even anthropology are more helpful in Japan. Politics matter, but other factors matter more. Nothing will shape Japan more in the coming years than demographics; the country's population—and influence—will shrink over the next century if current trends continue. The Japanese government predicts that the country will have 55 million people in the year 2100, down from 125 million today. Japan is unlikely to be as important to America when it has one-quarter of America's population, in 2050, as it is today when it has half. And no one knows how far the trend will go: a popular magazine calculated that at present rates Japan will have a population of 45,000 in the year 3000. At that point it will have the diplomatic significance of the island nation of Kiribati.

It would be wrong to accuse these books of neglecting areas on which they chose not to focus. Both are stimulating histories. But it is worth remembering that while Japan's prime ministers are important actors, they are often reading other people's lines. They have much less authority than leaders in other countries to ad-lib and take the drama in new directions. They are constrained by bureaucrats, business leaders, media, and a desire for consensus in their Japanese audience. And so it seems that in examining history, as in forging a relationship with Japan, one must remember not just the leading actors but the society as a whole.

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Review Essay

An American Skeptic in Europe

David Calleo

Europe Adrift. BY JOHN NEWHOUSE. New York: Pantheon, 1997, 339 pp. $27.50.

John Newhouse has been a respected and influential writer on American foreign policy, often on Europe, for more than three decades. His books are readable, full of interesting information about a variety of subjects, and laced with pertinent comments from politicians, bureaucrats, academics, businessmen, and journalists. Frequently they have been serialized in *The New Yorker*. Newhouse's interests and judgments generally reflect the current state of enlightened professional views. He is a particularly reliable presenter of opinion among senior American diplomats and professional analysts close to power, and indeed is a consultant to the State Department's European Bureau.

Europe Adrift is very much in this mold. It surveys the European scene to see how well European states are coping with Germany's unification and Russia's collapse, and how well the European Union (EU) and NATO are adapting to the new situation and whether they can successfully enlarge to the east. Anyone wanting an intelligent, well-informed, copious but readable survey of European issues can hardly expect to do better. *Europe Adrift* is the cream of well-informed conventional wisdom.

The book can, on the other hand, be criticized for just that reason. In its defense, it may be said that what passes for conventional wisdom among professionals is usually more right than wrong. Similarly, while the book may be faulted aesthetically for lacking focus, arguably that is Europe's fault and not Newhouse's. He cannot delineate and analyze coherent, focused policies if European governments do not have them. Instead, as he sees it, Europe's governments, realizing the depth of the divisions that separate them, are afraid to press for real decisions, collective or domestic. Now that its nations lack a common enemy, Europe is increasingly swamped by its own problems. Such a Europe, it would

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seem only natural to conclude, still requires strong American leadership.

The conclusion is hardly novel. It mirrors a conviction long cherished within the American government: left to their own devices, European states are too divided, selfish, cynical, suspicious, ungenerous, and jealous of each other to harmonize their policies in any sensible and enduring way. In short, Europeans are incapable of managing their collective affairs unless skillfully led by the Americans. For a time after the Soviet collapse, even well-connected cognoscenti thought the Western Europeans, liberated from the Red threat, might forge a union that would end America's postwar hegemonic role. But by now, as Newhouse indicates, conventional wisdom has reverted to normal, with one significant difference. American self-satisfaction used to be tempered by the nagging doubt that the European countries, despite their collective political and military weakness, were better at managing their economies—perhaps because they had fewer military burdens to carry. Today, as the United States enjoys the fruits of its peace dividend, its economy is booming and its budget deficit disappearing. Meanwhile, Europe is suffering from a bout of Eurosclerosis. That change of fortune removes the only major inducement to American modesty.

YANKEE HUBRIS

In its ambitious confidence, the present mood in Washington begins to resemble that in the early 1960s. Then, as now, American economists had begun to think growth and prosperity were assured indefinitely, and American politicians exulted in asserting their nation's power and benevolence around the world. Those who remember the later 1960s may find the parallel disturbing and begin to feel that for the United States, the Soviet collapse creates a dangerous temptation to hubris. A pessimistic and condescending view of Europe only compounds the danger. As an American, I do not feel that I should welcome a weak Europe, or accept it as fact without argument.

Newhouse, however, leans heavily toward Euroskepticism. He is too honest and adept not to report on the hopeful as well as the discouraging possibilities in Europe. But as he weighs the factors, he invariably comes down on the side of pessimism. After a while, Europe's incapacity begins to seem less the conclusion of his study than its premise.

That predisposition seems particularly obvious in his discussion of European Monetary Union, present-day Europe's one indisputably willful, bold, and grand project. Newhouse examines it in a chapter titled "A Collective Nervous Breakdown." He sees EMU as the misbegotten product of the Franco-German deal formalized in the 1992 Maastricht Treaty, in which the crafty Mitterrand convinced the Germans to give up their precious deutsche mark in return for promises of significant progress toward a more federal Europe. As Newhouse describes it, the French, having secured Germany's commitment to EMU, subsequently teamed up with the British to prevent federalism. French guile, however, achieved a Pyrrhic victory. Meeting the preconditions for EMU has proved a "crushing agenda," thanks to the dislocations in Europe's economies caused by Germany's heavy borrowing to finance reunification, plus the more fundamental ailments of Eurosclerosis in the face of rising global competition.

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EMU will, he predicts, bring Europe to a crisis point in 1998.

Meanwhile, as Newhouse sees it, the real challenge to the EU—enlargement to the east—has been neglected, not least because it creates major conflict among the Western Europeans. Taking in the Easterners will require, for example, the reform of America's old bugaboo, the Common Agricultural Policy—not a task weak European governments are eager to undertake seriously. More fundamentally, Russia's retreat shifts Europe's center of political gravity from Paris to Bonn, or rather to Berlin. The EU's expansion eastward will confirm the shift by creating a large new bloc of German-oriented states. The union's vital Franco-German relationship is being upset as a result. A disgruntled, pessimistic France has already lost its self-confidence and can no longer play its traditional leading role as Germany's imaginative partner. Instead, Paris flirts ambiguously with the British, who continue to lack enthusiasm for a strong Europe. The Germans are as unhappy as the French. They cannot lead alone, since they lack a sufficient national ego and are frightened of having one.

Europe, meanwhile, according to Newhouse, grows more and more vulnerable to its increasingly unsafe surroundings. Newhouse believes Russia is more dangerous to the West now than during the Cold War. He also notes the long-term dangers of the "troubled Mediterranean," where the unhappiness of overpopulated and underdeveloped Muslim societies seems likely to boil over into Europe. In the south, as in the east, Europe is too divided for effective action. Northern European countries feel detached, and while Italy has the potential to be a great power in the region, jealousy between the Italians and the French precludes durable cooperation, and Italy continues to be more comfortable deriving its security from the Americans.

Europe, in short, has not found any effective new organizing principle to replace the Cold War. That principle, according to Newhouse, was supposed to have been federation. But today's Europe, its states at odds and increasingly challenged economically, is unlikely to become "a political entity capable of joint decision-making." Nevertheless, Newhouse feels, Europe's flaccid new order is essentially benign. The continent can and should remain "the citadel of civilized values, a center of peace and stability." But its equilibrium and safety will continue to depend on its close relationship with America. Newhouse worries whether that relationship can be sustained in the absence of a single clear and common threat. His unexceptionable advice is that transatlantic ties will have to be carefully cultivated.

AN UNTIDY CONFEDERACY

Newhouse's conclusions are intelligent and well-informed, but are they correct? Certainly the Soviet collapse has shaken up the comfortable Western Europeans, but their response has not been as inept as he portrays it. Monetary union may yet fail, but its prospects are better than Newhouse suggests—not least because it is very much in Germany's interest. Since reunification, Germany has grown increasingly indebted and weighed down with its own Mezzogiorno, the former East Germany. Its national competitiveness is less assured, and a perennially overvalued deutsche mark risks becoming a poisoned

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heritage. Arguably, the sooner it is gotten rid of, the better for Germany and for Europe. A common currency will give new macroeconomic options to the Germans and Europeans collectively, as well as new financial power.

A successful EMU, moreover, will constitute a geoeconomic and to some extent geopolitical revolution. If it is achieved, no one will accuse Europe's leaders of lacking vision or determination. As it is, EMU has already elicited courageous political leadership in several European countries. The capacity of several successive French governments to hold fast to the *franc fort* hardly seems fickle or weak-willed. And the radical improvement in Italy's fiscal situation under the Romano Prodi government belies the stereotypes of Italian politics. EMU may be misguided, but it is hardly a sign of divided and indecisive leadership.

Newhouse is right to stress that Europe is at a delicate moment politically. But France is not as weak as he paints it, nor Germany as strong. Indeed, the current problem is not Germany's strength but its weakness. The Kohl government's economic reforms are blocked by the German states, the chancellor's authority is diminished, and the general direction of policy awaits next year's elections. In any event, Franco-German ties, which have held for half a century, are stronger than Newhouse indicates. Each country needs the other, and Europe's progress will continue to depend on their collaboration. Their partnership, moreover, does not require a centralized federal Europe. Such a Europe has never been a realistic option, and not achieving it should not be considered a failure.

Europe's abiding reality is that it is a Europe of states—determined to preserve their independence but condemned to coordinate their policies. To reconcile these two imperatives, they have evolved toward a highly developed confederacy. It is an untidy construction, but also supple and tenacious. It is, in effect, a new and ingenious political formula for governing a diverse continent. It is certainly the most successful experiment in international cooperation in modern times. It is not very efficient, but then neither is America's own federal system. It can be expected to take a long time developing itself. Further integration will depend on the real need for it. Most likely, the states of the EU will do what their urgent interests require, and not much else.

The EU is thus likely to move on to monetary union and find some formula for absorbing Eastern Europe. But for the time being at least, Europeans may well be happy to let the United States provide for their security, so long as their own arms industries continue to profit. If the Americans insist on blocking a long-overdue Europeanization of NATO, Europeans are in no hurry. And if the Americans are foolish enough to get themselves into an antagonistic relationship with the new Russia, the protected Europeans will, as usual, be happy to mediate.

The transatlantic link may well prove as significant in the next century as it has been in this one. But a Europe that can manage its own space and is a genuine ally rather than a costly dependency is very much in the United States' interest. Given America's growing and apparently inescapable involvement with Asia, Washington can no longer afford, and is unlikely to sustain, Europe's Cold War dependence. Europeans should not be given the impression that the United

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States wishes to prolong that relationship. Certainly the United States should not be too directly involved in Europe's complicated internal politics. Its capacity to manage the continent's problems is extremely limited. America should be Europe's great and good friend, not its would-be guardian.

A policy that presumes otherwise is not only outdated but dangerous. It risks antagonizing both the Russians and the Western Europeans, as well as prejudicing relations between them. In the coming century the West in general will face difficult adjustments, not least because of rising economic and political competition from non-Western parts of the world. The United States should not presume too much from its present success or Europe's present discomfiture. This is not the moment to lock the country into overextended positions that it is unlikely to sustain and that will impede European efforts to rise to the occasion. Thus, while Newhouse has presented his usual magisterial survey, it leaves the wrong impression. Perhaps, for once, he has been too much of an insider, and has relied too heavily on the judgments of those among us with a vested interest in managing Europe's affairs.

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Recent Books on International Relations

Political and Legal

FRANCIS FUKUYAMA

Ways of War and Peace: Realism, Liberalism, and Socialism. BY MICHAEL W. DOYLE. New York: W. W. Norton, 1997, 557 pp. $30.00.

Doyle, the leading theorist of the "liberal peace" school, has written a superb analysis of the realist, liberal, and socialist views of international politics, with extensive chapters on all the classical thinkers from Thucydides and Machiavelli through Kant and Lenin. Avoiding the reductionism and pigeon-holing characteristic of many surveys of this sort, he recognizes, for instance, that Thucydides was actually a complex realist who understood the importance of domestic institutions. (The author could, however, have gone much further in analyzing Thucydides' views of the moral basis of domestic and international order.) The book concludes by showing how each tradition's principles could be applied to contemporary policy questions like development assistance and intervention, though the one extended discussion of the latter, the 1983 U.S. intervention in Grenada, is at this point rather dated.

Power Kills: Democracy as a Method of Nonviolence. BY R. J. RUMMEL. New Brunswick: Transaction Publishers, 1997, 246 pp. $32.95.

Yet another democratic peace theorist, Rummel extends the argument to assert that democracies not only do not fight one another but are much less prone to genocide and domestic political violence, and are in fact much less likely to fight wars overall. The truth of the latter assertion will be questioned by many (including Doyle), though Rummel adduces considerable statistical evidence to support his claims. It is clear in his discussion of causes that it is less democracy per se that brings peace (democracies are, after all, subject to nationalism and mass hysteria), so much as limited govern-

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ment that diffuses power as broadly as possible to citizens and society.

Cosmopolis: Prospects for World Government. BY DANILO ZOLO. Cambridge: Polity Press, 1997, 197 pp. $64.95 (paper, $22.95).

The author makes a provocative and convincing argument that most schemes for world order, from the League of Nations and the United Nations to more recent grandiose world-order visions of the scholars Norberto Bobbio and Richard Falk, are fundamentally flawed, not just because member states implemented or would implement them poorly, but in principle. All wrongly see the fundamental cause of war and conflict as the "anarchic" system of nation-states, and the ideal solution as the erecting of a centralized, supranational sovereign with a monopoly of force that can intervene to impose order. Zolo argues that such a structure is simply an updated version of the Holy Alliance: the concentration of power will inevitably be enlisted to serve the hegemonic interests of those at the top. The way to world order is not, therefore, in giving up more power to the U.N. secretary general, or strict U.N. Charter constructionism, but in the better distribution of power through the international system.

Cultural Internationalism and World Order. BY AKIRA IRIYE. Baltimore: Johns Hopkins University Press, 1997, 212 pp. $32.50.

Iriye argues that the traditional understanding of international relations as competition for power and wealth, and the consequent shunting aside of cultural issues as a matter for woolly-headed idealists, needs to be rethought. His history of cultural internationalism—that is, the attempt to build cultural understanding, cooperation, and a sense of shared values across national borders through student exchanges, lectures, and the like—shows that it has been a constant feature of twentieth-century international relations.

That culture is a real element of national power and needs to be understood as such by hard-headed realists is undeniable. What is harder to argue is that a genuine cultural universalism is possible outside the context of liberal political and economic institutions. The record that Iriye presents is not encouraging. Culture has been repeatedly appropriated as a weapon, by Germany and Japan in the 1930s, for instance, and in the Third World it often degenerated into a multiculturalism that emphasized particularism over universalism. To the extent that there has been genuine cultural convergence in recent decades, it would seem to be based more on economic globalization and the spread of democratic ideology than on the work of cultural internationalists per se.

Not for America Alone: The Triumph of Democracy and the Fall of Communism. BY GEORGE J. MITCHELL. New York: Kodansha International, 1997, 320 pp. $25.00.

If this book was intended to bolster the former Senate majority leader's credentials as a candidate for secretary of state, we are fortunate that President Bill Clinton selected Madeline Albright instead. This collection of clichés and conventional wisdom takes us on a meandering tour of twentieth-century history, from Lenin and Krupskaya at the Finland Station to Yeltsin on a tank, with swipes at Newt

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Gingrich along the way. Mitchell's recounting of familiar historical facts and episodes would be less objectionable if so many of them were not wrong. He assigns America a substantial share of responsibility for the deepening Cold War, asserts that Alger Hiss was "alleged" by a disreputable Whittaker Chambers to be a Soviet spy, and claims that the Cold War was a period of "certainty" in foreign policy. Still angry over Congress' failure to pass the 1993 fiscal stimulus package, he argues that the Japanese do not have any qualms about massive public works spending; he seems not to have noticed that the U.S. economy has grown 20 percent in the interim, compared to 4 percent for Japan.

Political Science Fiction. EDITED BY DONALD M. HASSLER AND CLYDE WILCOX. Columbia: University of South Carolina Press, 1997, 256 pp. $34.95.

Dismissing a given scenario with the epithet, "That's political science fiction," was much easier a decade ago, before the Soviet Union voluntarily fragmented and a nuclear-armed Kazakstan emerged as a successor state. Science fiction at times serves as a mirror of contemporary politics, as in the case of *Star Trek*'s "Federation," which (as the concluding chapter notes) was a parable about American democratic values and foreign policy. In other circumstances science fiction is a better means for envisioning political futures than conventional scenario strategizing. Robert Heinlein's *Starship Troopers* has become for many in the U.S. military a concrete vision of future war, and for understandable reasons set off a furor with its assertion that only soldiers should have the right to vote. The dystopias of the cyberpunk fiction of the past decade have shifted from Big Brother and regimented authority to social breakdown and cultural fragmentation. The disappointing essay on this subject fails to treat the genre's libertarian politics seriously and completely ignores its most important new writer, Neal Stephenson. The latter has gone much further than fellow cyberpunkers William Gibson or Bruce Sterling in dealing with the moral breakdown of future societies, and in *Snow Crash* presents an amusing vision of the post–nation-state world.

The Legitimization of Violence. EDITED BY DAVID E. APTER. New York: New York University Press, 1997, 413 pp. $50.00 (paper, $20.00).

These case studies of political violence in Peru, Italy, Lebanon, Ireland, and elsewhere, which are individually informative, are packaged in an analytical framework that will be virtually unreadable by anyone not steeped in the post-modernist vocabulary of Barthes, Baudrillard, and the like. It is not clear how talk of "drenched signifiers" and "inversionary discourse" advances our understanding of political violence.

Autonomy: Flexible Solutions to Ethnic Conflicts. BY RUTH LAPIDOTH. Washington: U.S. Institute of Peace Press, 1997, 298 pp. $32.50 (paper, $19.95).

This book, from an international law expert who has had considerable direct experience in the Arab-Israeli peace

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negotiations, contains a great deal of useful practical advice on the bolstering of autonomy as a solution to ethnic conflicts.

Economic, Social, and Environmental

RICHARD N. COOPER

Determinants of Economic Growth: A Cross-Country Empirical Study. BY ROBERT J. BARRO. Cambridge: MIT Press, 1997, 145 pp. $22.50.

Thanks to international agencies such as the World Bank and private nongovernmental organizations, we now have respectable quantitative measurements for economic and even political developments for many countries for the past 20 to 30 years. Such data permit the application of statistical techniques to test various theories about some age-old questions. Barro's short book, based on his Lionel Robbins lectures at the London School of Economics, is an excellent example of this now-fashionable approach to social scientific analysis. The author addresses two important questions: What factors are conducive to national economic growth? and Under what conditions will democracy flourish?

The results on growth are drawn from over 80 countries since the 1960s. High growth in per capita income is invariably associated with high rates of investment. But what determines these? The author focuses on more fundamental factors, and his results confirm what has now become conventional wisdom: high levels of secondary schooling, high life expectancy (reflecting good health), and a greater degree of rule of law are all conducive to growth. And of course it helps to have a persistent rise in one's export prices. High fertility, high government expenditure (other than on education and defense), and very high inflation rates all have a negative impact on growth. Some democracy seems to help growth, but too much slows it down, in Barro's analysis. Democracy, as has been hypothesized for many years, seems to require some degree of economic well-being and good health to thrive. Primary education of women, but not secondary education of men, also has a positive effect. Income inequality, at least according to the incomplete measures available, does not seem to affect it one way or the other. The advantage of this large-numbers approach to traditional questions is that it can get beyond anecdotes and theories based on a few examples. But the analysis accounts for only about half the variation in growth rates across countries. There are many exceptions to Barro's general conclusions, and much remains to be explained.

How Nations Grow Rich: The Case for Free Trade. BY MELVYN KRAUSS. New York: Oxford University Press, 1997, 140 pp. $22.50.

This short book is a highly readable tract urging free trade, denigrating foreign aid, and dismissing economic sanctions as ineffectual—in short, making the case for international laissez faire. It is uncompromising, forcefully argued, and scrupulously nonpartisan in exposing both Democrats and Republicans who espouse what the author considers foolish views. It offers trenchant and persuasive criticisms of the numerous fallacies that have been advanced in recent years to support

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restrictions on imports, both by self-interested parties and increasingly by well-meaning social groups that erroneously view imports as a threat to their favored social programs, from Social Security to environmental protection. Krauss is no fan of the welfare state, seeing too much generosity as a threat to growth, but he correctly and cogently argues that diverse national welfare or environmental objectives are not incompatible with free trade.

One problem with tract writing is that forcefulness of expression and simplicity of argument may sacrifice important nuance or, even worse, distort facts or produce ludicrous statements. Krauss scores relatively well here, but he is not immune. In his diatribe against the state, he tells us that spending on education and health in East Asia truly is investment in human capital, but where education and health are financed by high tax rates, they often turn out to be consumption. In general, of course, they are both. And he is evidently unaware that South Korea's top marginal income tax rate was 70 percent right through its period of rapid growth, dropping to a still high 55 percent in 1989.

What Will Be: How the New World of Information Will Change Our Lives. BY MICHAEL DERTOUZOS. San Francisco: HarperEdge, 1997, 336 pp. $25.00.

Written for the non-technician by the director of the MIT Laboratory for Computer Science, this book sketches the history of electronic control and communication and describes the current state of play on such futuristic items as telephones that translate to and from foreign languages and "bodynets" that serve all a person's electronic needs for information. The book is informal, even chatty, and fun to read—reflecting the author's fun in writing it.

While most of the book is devoted to the world immediately around us, there is some discussion of the impact of the Information Age on international relations. The author is persuasive on the ultimate breakdown of international barriers to the flow of information, despite the technical possibilities for barring unrestricted access to the Internet, but unpersuasive on the widening gap between rich and poor. The book is replete with common sense. The author chides both techies, for their exaggerated claims for the future of a world based on electronics, and humanists, for their unwarranted lament over an alleged loss of humanness.

Dollar and Yen: Resolving Economic Conflict between the United States and Japan. BY RONALD I. MCKINNON AND KENICHI OHNO. Cambridge: MIT Press, 1997, 266 pp. $39.50.

This book is written by economists mainly for economists, and is technically demanding. But much is comprehensible to non-economists. The authors examine the troubled U.S.-Japanese economic relationship over the last 40 years, explaining much of the tension in terms of different economic structures and perverse domestic economic policies, not malevolent Japanese behavior toward imports. It is worth reading for this interpretation. The important idea here is that the yen-dollar exchange rate, viewed by most

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economists and market participants as an adjusting variable that responds to diverse developments in the two domestic economies, is for Japan more significant as a forcing variable, causing other economic variables such as wages and prices to adapt to changes in it. This switch in interpretation leads the authors to propose that the United States and Japan act together to stabilize the yen-dollar rate in the neighborhood of 125 to one. To this end, monetary policy in each country should be targeted to stabilize the official index of wholesale or producer (not consumer) prices in the country, an approach that the authors argue will also stabilize the exchange rate. A radical suggestion, but cogently developed.

Dangerous Commerce: Insurance and the Management of International Risk. BY VIRGINIA HAUFLER. Ithaca: Cornell University Press, 1997, 205 pp. $29.95.

Haufler here addresses an interesting but neglected issue: the provision of insurance for private property against noncommercial risks, especially political risks, when transborder transactions are involved. The bulk of the book covers the development of cross-border insurance in three periods: 1870-1914, 1917-39, and 1979-89, the first two ending in world wars and the last covering an international debt crisis. Not surprisingly, the two earlier discussions focus on shipping and merchant cargoes and the story is largely British. The author finds a gradual evolution over time from purely private insurance to selective government provision of insurance against various kinds of noncommercial risks to, in the last decade, a limited but growing role for international organizations. The book lacks a crisp conclusion but covers much interesting material.

Military, Scientific, and Technological

ELIOT A. COHEN

Man without a Face: The Autobiography of Communism's Greatest Spymaster. BY MARKUS WOLF. New York: Times Books, 1997, 367 pp. $25.00.

Battleground Berlin: CIA vs. KGB in the Cold War. BY DAVID E. MURPHY, SERGEI A. KONDRASHEV, AND GEORGE BAILEY. New Haven: Yale University Press, 1997, 530 pp. $30.00.

As sometimes happens, the rascal wrote the better book. Wolf was East Germany's most famous and successful spymaster, and though he does not reveal all, he tells an intriguing tale. Some will be surprised or dismayed to learn that, yes, during the 1980s the East Germans did indeed fund portions of the West German "peace movement" and provide a safe haven for terrorists. Wolf's selective memory, continual attempts at self-exculpation, and specious resort to the argument that the West behaved as badly as the communists are neither convincing nor appetizing.

Murphy and Kondrashev obtrude less in the account they, a retired American and Soviet spy, have written with a former American journalist. All three men in different ways operated in and around Berlin and know the city well. Part of a fascinating Yale University Press series on the Cold War seen in part from the vantage point of the Soviet archives, this book covers primarily the grim glory days

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of the Cold War in Berlin—the period up to the building of the Berlin Wall. The lacunae are numerous (there is very little here, for example, from the Soviet side on the operations of Soviet military intelligence), and Bailey's efforts to reconcile his coauthors' views of reality do not always succeed. Nonetheless, this is a major contribution to the intelligence history of the Cold War.

The Death of Distance: How the Communications Revolution Will Change Our Lives. BY FRANCES CAIRNCROSS. Boston: Harvard Business School Press, 1997, 294 pp. $24.95.

The cheery optimism of the "digerati" pervades this book, culminating in the happy assertion, "Humanity may find that peace and prosperity are born from the death of distance." It is an article of faith with the author that the communications revolution will have overwhelming and generally benign effects on how businesses function, governments rule, and individuals live their lives. Firms will respond more quickly to market cues, citizens will understand governments better, children will know more about foreign lands. Philosophers and anthropologists may wince in disgust, but it is a faith common among the cyber-elite. The book is a competent survey of the modern communications revolution, elementary in some parts and confidently speculative in others. The author's useful list of assertions, ranging from the banal to the improbable, taken together form a checklist of conventional prognostications. One finishes the book wondering, however, whether human nature may not prove less tractable and predictable than soothsayers of the information revolution believe.

Chinese Views of Future Warfare. EDITED BY MICHAEL PILLSBURY. Washington: National Defense University Press, 1997, 421 pp. $22.00 (paper).

Politicians and journalists sound the alarm about a rising China, yet within the Pentagon, something approaching complacency reigns. Casting a knowing eye on obsolescent technology and the economic corruption of the People's Liberation Army, American intelligence and defense analysts have poohpoohed China's potential as a serious military power. This volume, which brings together the writings of many of China's leading military thinkers, should moderate such disdain. Despite the clumsiness of some of the translations, these articles taken from Chinese military journals provide a window into Chinese military thinking that reveals some considerable sophistication about modern warfare and particularly the problem of "defeating a powerful opponent with a weak force in a high-tech war." To be sure, Chinese soldiers, like their counterparts elsewhere, resort liberally to platitudes and trivialities (for example, "the law of the victory of the superior"), and some of their prescriptions surely fall short of Chinese capabilities—for the moment. Still, a useful reminder that some in the PLA, at any rate, take their profession seriously indeed.

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The Sword or the Scroll? Dilemmas of Religion and Military Service in Israel. BY STUART A. COHEN. Amsterdam: Harwood Academic Publishers, 1997, 148 pp. $22.00.

A slender work that may go unnoticed, which would be a pity. In remarkably brief compass, Cohen details the ways in which Israel's religious community has dealt with the Israel Defense Forces. In so doing, he renders concise and lucid accounts of Jewish just war theory (which distnguishes between "obligatory" and "optional" conflicts), the changing composition of the IDF (in which religious youth now provide a disproportionate percentage of soldiers in elite units), and the ways in which religious sensibilities can shape civil-military relations (as, for example, when a group of rabbis urged military disobedience in the face of orders to evacuate West Bank Jewish settlements). A book of considerable interest to students not only of Israel but of military sociology generally.

Who Gave Pinta to the Santa Maria? Torrid Diseases in a Temperate World. BY ROBERT S. DESOWITZ. New York: W. W. Norton, 1997, 256 pp. $25.00.

Not for the politically correct (Desowitz stoutly defends the use of the term "tropical diseases," occasionally derided as a bit of European medical condescension) nor the queasy of stomach (bloody urine, 45-foot-long tapeworms, and explosive diarrhea figure prominently), this is a lively account of how diseases have migrated from the equator toward the poles. There may be little new in Desowitz's conclusion that increased travel, denser populations, and the cunning of viruses may be paving the way for ghastly epidemics in the years to come, but that does not take away from the seriousness of the contention. Largely anecdotal history, the book provides an introduction considerably less painful than the diseases described in it to the ways in which humanity has contracted, spread, and—with mixed success—attempted to contain or crush a terrifying array of diseases.

History of the Office of the Secretary of Defense, vol. 4: Into the Missile Age, 1956-1960. BY ROBERT J. WATSON. Washington: Historical Office, Office of the Secretary of Defense, 1997, 1,024 pp. $50.00.

The period 1956-60 comprises only five short years, but few stretches of peacetime history have had larger consequences for American defense policy. The Eisenhower administration's New Look (a shift in emphasis to nuclear over conventional weaponry), the crises in Eastern Europe, the Far East, and the Middle East, the Gaither Report (a pivotal re-estimate of the American nuclear posture in the face of growing Soviet strength), and the launching of the space and missile races—are all covered in this massive volume. Not least in importance is the treatment of the 1958 reorganization of the Defense Department, which prepared the way for Robert McNamara's bold departures of the 1960s, and in particular his radical strengthening of the management role of the secretary of defense. Stolid prose and a ponderous pace do not diminish the value of this meticulous work of scholarship, which, like others in the series, will probably never be displaced as a standard work on American defense policy.

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Military Modeling for Decision Making, 3rd ed. EDITED BY WAYNE P. HUGHES, JR. Alexandria: Military Operations Research Society, 1997, 375 pp. $40.00 (paper).

Intertwined in virtually all aspects of military decision-making—from what weapons governments should buy to how soldiers should use them—is modeling. This volume, now in a third and substantially revised edition, provides the most useful overview of the subject by some of the most notable figures in the field. The editor, a navy captain who has written authoritatively on a number of subjects (naval tactics in particular) sets the tone in a masterly overview that stresses, as do many of the essays that follow, the limitations of these artificial and simplified representations of the warrior's world. Driven too frequently by underlying assumptions about quantitative factors (firepower and numbers) rather than qualitative realities (morale, cohesion, coordination) military models can mislead those who put excessive faith in them—as the wildly pessimistic projections of American casualties in the Gulf War demonstrated. A work that, if read with care, would do much to reduce the simple faith placed by civilian and soldier alike in these ubiquitous attempts to distill reality into equations.

The U.S. Military Online: A Directory for Internet Access to the Department of Defense. BY WILLIAM M. ARKIN. Washington: Brassey's, 1997, 240 pp. $29.95.

The author is well known (and in some government quarters, cordially detested) as an indefatigable researcher in military affairs, whose cunning and persistence have uncovered many secrets (notably in the area of nuclear weapons). This book provides an overview of the American military presence on the World Wide Web, including private corporations, institutions of higher education, and public organizations that have valuable information on military affairs. Updates of the work are available—needless to say—at a web site. Indispensable for any serious researcher in contemporary national security issues.

The United States

DAVID C. HENDRICKSON

The Grand Chessboard: American Primacy and Its Geostrategic Imperatives. BY ZBIGNIEW BRZEZINSKI. New York: Basic Books, 1997, 240 pp. $24.00.

The great merit of this volume lies in its analysis of the strategic outlook and policy dilemmas of a host of states in Eurasia, a *tour d'horizon* lucidly rendered. Brzezinski's analysis of the triangular relationship among China, Japan, and America—together with the policy recommendations flowing therefrom—is particularly good. But the heart of the book is the ambitious strategy it prescribes for extending the Euro-Atlantic community eastward to Ukraine and lending vigorous support to the newly independent republics of Central Asia and the Caucasus, part and parcel of what might be termed a strategy of "tough love" for the Russians. That grand design is problematic for two reasons: one is that

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the excessive widening of Western institutions may well introduce centrifugal forces into them; a second is that Brzezinski's test of what constitutes legitimate Russian interests is so stringent that even a democratic Russia is likely to fail it. Russia, in effect, is to be accorded the geopolitical equivalent of basketball's full court press (whereas China, by contrast, merits the geopolitical equivalent of football's prevent defense). Given Russia's weak and friendless condition, a point to which Brzezinski frequently returns, that strategy is difficult to square with the author's otherwise sensible emphasis on ensuring a balance of power in Eurasia.

U.S. Foreign Policy and the Four Horsemen of the Apocalypse: Humanitarian Relief in Complex Emergencies. BY ANDREW S. NATSIOS. Westport: Center for Strategic and International Studies, 1997, 192 pp. $55.00 (paper, $15.95).

A shrewd and unconventional assessment of the anatomy, political setting, and operational challenges of "complex humanitarian emergencies." Natsios, who has wide experience in relief programs (as government bureaucrat, military officer, and nongovernmental organization executive), writes perceptively of both the need for and limits of these enterprises. He argues that the United States has an interest in leading the response to such disasters, insisting (against nonpolitical humanitarians) that public support will erode, if not collapse, if the case for such assistance is placed on the ground of pure altruism. At the same time, however, he thinks that humanitarian operations must be kept separate and distinct from the State Department, whose geopolitical perspective, he fears, will compromise the humanitarian objectives that ought to be at the forefront of relief operations. His resolution of this delicate question may certainly be questioned: humanitarian operations that have pernicious political consequences (like the reconstitution of Hutu forces, abetted by humanitarian aid, that occurred after the Rwandan genocide) are more highly suspect than the author allows.

Degrees of Freedom: Canada and the United States in a Changing World. EDITED BY KEITH BANTING ET AL. Montreal: McGill-Queens University Press, 1997, 493 pp. $60.00 (paper, $24.95).

This valuable study, with contributions from ten Canadian scholars, examines Canadian and American responses to economic globalization and social fragmentation, two powerful forces that have placed contradictory demands on the modern state. Globalization has forced upon both countries, as on all states, an economic agenda that requires them to adjust their policies in accordance with the imperative to remain competitive in the world economy. Social fragmentation, often exacerbated by the dislocations brought on by globalization, has, by contrast, increased the demands on the state's resources, bidding the state to become more responsive to popular pressures at the same time that globalization requires it to be less so. How much autonomy each state enjoys in the face of these pressures, and how far their responses have converged or diverged, are the central problems examined here. The conclusion is relatively hopeful. Contrary to the fears expressed by a wide number of observers—that globalization will drive all countries to a single,

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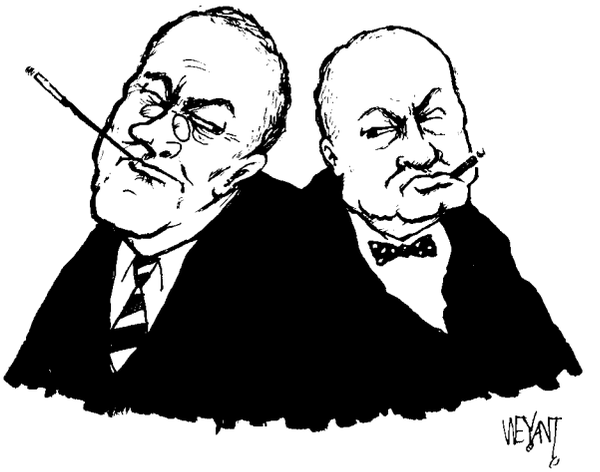
homogenized model of social and economic life, making democracy less meaningful even in its moment of triumph—the editors insist that international constraints operate most powerfully over a fairly narrow range of issues, thus allowing considerable room for domestic choice.



Forged in War: Roosevelt, Churchill, and the Second World War. BY WARREN F. KIMBALL. New York: William Morrow, 1997, 422 pp. $25.00.

An excellent study of the uneasy collaboration between the two "improbable warlords" who directed their countries to victory in the Second World War. The author, a historian at Rutgers University, is the editor of the three-volume Churchill-Roosevelt correspondence and a leading authority on FDR's foreign policy. Kimball is sometimes quite critical of Churchill—dismissing, for instance, the assumptions behind Britain's proposed Mediterranean operations as a "pipe dream"—but on other occasions cleverly employs Churchill's authority to defend Roosevelt. The author disputes those critics who would find in FDR's actions before the war a prelude to the imperial presidency, and he thinks wise the emphasis Roosevelt placed throughout the war on keeping the Grand Alliance intact. Kimball, in effect, follows the recipe for jugged hare that Churchill said was to be found in Mrs. Glasse's Cookery Book: "First catch your hare." That the imperative of defeating the Nazis justified Roosevelt in all his cooperative approaches to the Soviet Union—so central to his vision of the postwar world—is a more dubious judgment than the author allows, but even those more inclined to Churchill's side of this old argument will find much merit in this well-written and authoritative study.

Anatomy of Mistrust: U.S.-Soviet Relations during the Cold War. BY DEBORAH WELCH LARSON. Ithaca: Cornell University Press, 1997, 329 pp. $35.00.

This work, by a political scientist at UCLA, considers a variety of explanations for the proclivity of states to mistrust one another. The author believes that the United States and the Soviet Union missed a number of opportunities to cooperate during the Cold War, the reason being their profound suspicion of one another's motives rather than underlying conflicts of interest between the two. Not all the five cases Larson studies—centering around various phases of the German problem and arms control negotiations—are equally persuasive. It is doubtful, for instance, that the West's interest lay in pursuing the idea of German unification in exchange for German neutrality. While Larson has perceptive things to say about

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the phenomenon of mistrust and how to overcome it, she minimizes the dangers that may be associated with the unilateral concessions necessary to build confidence in the other side. Nowhere mentioned in this book is the devastating experience of the preliminaries to World War II that haunted this generation of American policymakers, a memory that made them twice shy in dealing with Stalin's successors. The lessons for building trust the author adduces would be more applicable "to areas such as the Middle East, Northern Ireland, and Korea" if the point were registered that while mistrust may indeed lead to missed opportunities, trust has on occasion led to disaster.

A Time for War: The United States and Vietnam, 1941–1975. BY ROBERT D. SCHULZINGER. New York: Oxford University Press, 1997, 397 pp. $35.00.

A finely drawn portrait of the American involvement in Vietnam. Schulzinger, a historian at the University of Colorado, writes deftly of virtually every facet of the war. He is equally at home in examining the dilemmas of U.S. military strategy as in assessing the impact of the war on American society. Apart from a mean-spirited analysis of Nixon and Kissinger (toward whom contemporary historians are far less forgiving than they are toward Lyndon Johnson), the author treats with sympathetic understanding the outlook of all parties to the conflict. Unlike many other professional historians, the author is unafraid of venturing onto the counterfactual terrain where causation is dissected and weighed. Though he considers as deeply flawed the big unit war of attrition fought by Westmoreland, he shows why the principal alternative—a small unit war of posts—would also have meant fighting on terms dictated by the enemy. Here, as elsewhere, Schulzinger demonstrates how the two sides' differing conceptions of time (and capacity for endurance) are of crucial significance in explaining how the war was fought and why it was lost. An annoyingly large number of typographical errors constitutes an unfortunate blemish on an otherwise exemplary work—one of the best general studies of the war in all its dimensions.

The Year of the Hare: America in Vietnam, January 25, 1963–February 15, 1964. BY FRANCIS X. WINTERS. Athens: University of Georgia Press, 1997, 292 pp. $29.95.

An enthralling and sardonic study of the events and personalities surrounding the ouster and assassination of Ngo Dinh Diem. Winters, who teaches ethics and international affairs at Georgetown's School of Foreign Service, writes persuasively of the folly and high-minded intolerance that lay behind "the Kennedy campaign to superimpose on Saigon the image of Washington." This undertaking at once augured the subsequent Americanization of the war and eliminated the one South Vietnamese leader with solid nationalist credentials (a point not lost on the North Vietnamese, dumbfounded and delighted by the American-sponsored coup). Among those pressing for Diem's removal, ironically, were Undersecretary of State George Ball and *New York Times* correspondent David Halberstam, both of whom later became trenchant critics of the war but who receive here pointed criticism for their role in 1963. The one false note struck by Winters is his belief

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that Kennedy intended to withdraw from Vietnam after the 1964 elections. It might more plausibly be argued that the coup against Diem truly represented the point of no return, and that Kennedy's private comments pointing to withdrawal (made before the coup) represented a slender hope rather than a matured conviction.

Western Europe

STANLEY HOFFMANN

Not Like Us: How Europeans Have Loved, Hated, and Transformed American Culture since World War II. BY RICHARD PELLS. New York: Basic Books, 1997, 464 pp. $30.00.

Pells' attempt to show "how Europeans have loved, hated, and transformed America's culture since World War II" is awesomely ambitious. He covers America's cultural diplomacy (including the Congress for Cultural Freedom, but he seems not to have read the most interesting book on it, Pierre Grémion's *Intelligence de l'Anti-communisme*), the effects of the Marshall Plan and of the Fulbright program, transatlantic prejudices and misunderstandings, the impact of American methods and products on European economic and social life, the transmission of American mass culture and its reception in Europe (here come Coca-Cola, McDonald's, and Disneyland), and the impact of European art forms, tastes, and ideas on America. Nobody can accuse Pells of not being comprehensive. His judgments are full of good sense: he emphasizes the degree to which the "American invasion" has been welcome, rather than imposed, and to which Europeans have reshaped American influences, safeguarding their own distinctiveness. But the reader feels like the spectator at an endless slide show who would love to stop the machine and examine at greater length the most interesting of the slides—alas, all of them, great or trivial, stream by at the same dizzying speed.

The German Predicament: Memory and Power in the New Europe. BY ANDREI S. MARKOVITS AND SIMON REICH. Ithaca: Cornell University Press, 1997, 248 pp. $29.95.

One more book about the German Question! A set of chapters examines public and elite opinion about Germany in the United States, where "ambivalence about things German" prevails, in Austria, where a strong affinity to Germany goes along with "unquestioned autonomy," and in Western Europe, where the authors find the British less insecure than the French, although German unification had "a seriously unsettling effect on both." Another set of chapters deals in depth with the issue of German power. These chapters find the restrictions on German troops abroad "self-imposed and ideological rather than externally or institutionally constructed," thus resulting from "a particular collective memory" that could be fading. They show how much the European Union favors German economic power and wealth and "reduces that of its major trading partners." They fear a decline of Atlanticism and of the commitment to European integration in the post-Kohl era, and the rise of voices

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that would like to "normalize" Auschwitz—not because they do not welcome the gradual transformation of "guilt, shame, and responsibility" into "knowledge, acknowledgment, and analysis," but because they are not sure that "this major change" would "bode well for the future of the Berlin Republic and its neighbors." The debate will continue. But by rejecting complacency, the authors provoke us into remaining concerned.

The Future of Europe: Problems and Issues for the Twenty-First Century. EDITED BY VALERIE SYMES, CARL LEVY, AND JANE LITTLEWOOD. New York: St. Martin's Press, 1997, 333 pp. $69.95.

Recasting the European Order: Security Architectures and Economic Cooperation. BY JAMES SPERLING AND EMIL KIRCHNER. New York: Manchester University Press, 1997, 287 pp. $69.95 (paper, $22.95).

Discussions of current problems in European and transatlantic cooperation raise many risks; overlap, inconclusiveness, and lagging behind events are the main ones, and both of these books suffer from them. The collection edited by Symes, Levy, and Littlewood contains analyses of the European Union by 12 academics teaching in Britain and one British Socialist member of the European Parliament. Many of the authors are critical of the drive toward a single currency and its effects on unemployment and growth. Several essays ask for greater transparency and accountability of EU institutions but stop far short of any kind of federalism. Like the rest of us, Symes is better at deploring the inadequacy of the policies of economic and social convergence and of current approaches to unemployment than at proposing convincing remedies. The most informative essays are those that deal with more recent areas of EU activity: crime and policing, the "information superhighway," and demographic and health policies.

The book by Sperling and Kirchner covers the rather familiar ground of European and Atlantic security organizations and devotes four chapters to the economic dimensions of security, macroeconomic management, trade ties, the financing of the transition from communism to market economies in the states of the former Soviet Union and Soviet empire, and the financing of environmental security. Nobody is likely to be shocked or rejuvenated by this sweepingly dutiful survey, but insofar as prudence and common sense are commendable, the authors have to be congratulated.

Whitewashing Britain: Race and Citizenship in the Postwar Era. BY KATHLEEN PAUL. Ithaca: Cornell University Press, 1997, 253 pp. $39.95 (paper, $16.95).

This well-researched study argues that "the qualifying of national identity derives from almost 50 years of manipulation of the politics of citizenship in Britain," leading to the replacement of "formal definitions of citizenship" by "racialized images of national identity"—an evolution Paul deplores. She begins by discussing the 1948 British Nationality Act, which consolidated the "common, imperial status" of British subjects and established a new citizenship for the United Kingdom and colonies that included British subjects of color. Paul then proceeds to show that separate policies were set for four different migrant groups. Despite the

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labor shortage at home, "British stock" was encouraged to emigrate to the old, that is, white, dominions, and one and a half million did so between 1946 and 1960. The labor problem was handled through the recruitment of 345,000 aliens, many of whom were refugees from Central and Eastern Europe and intended to become British. Irish migrants were treated as "neither subjects nor aliens"; or rather, they were given the privileges of subject-hood and became part of the "community of Britishness" while remaining Irish citizens. The most difficult problem was that of "coloured" colonials eager to settle in Britain, and thus to challenge the "hierarchy defined by race, gender, and social class" hidden behind the system of formal legal equality. The arrival first of Jamaicans, then of Pakistanis and Indians, threatened the old notion of "separate black and white communities with informally unequal rights," and finally led to the 1962 Nationality Act, which divided British subject migrants into three groups, of which the third was unskilled laborers in search of work, who would be numerically controlled. In 1981 a new act divided British nationality into three tiers: British citizenship, British dependent territory citizenship, and British overseas citizenship; only the first group has a right to live in the United Kingdom. Whether or not one accepts Paul's conviction that the evolution resulted from elite preferences rather than from popular prejudice, one must acknowledge the vigor and clarity of this treatment of an important issue.

Hitler's Foreign Workers: Enforced Foreign Labor in Germany under the Third Reich. BY ULRICH HERBERT. New York: Cambridge University Press, 1997, 510 pp. $79.95.

In August 1944 more than 7.5 million foreign workers—almost 2 million war prisoners, and 5.7 million civilian workers—were employed in German agriculture and factories, one-third of the total labor force. Herbert shows that, due to the expectation of a Blitzkrieg and the ideological concern for racial purity, before 1939 the Nazis had developed no plan for a massive use of foreign labor. However, after the victory over Poland, Polish labor was treated as "spoils of conquest" under very harsh conditions; "intimate sexual contact between German women and Polish men was rendered a capital crime." After the invasion of the Soviet Union, "the propaganda image of the Russian *Untermensch*" at first inhibited the use of Russian labor in Germany. But as the war grew longer, this use became necessary—it even extended to the importation of eastern women as servants. Foreign workers had to be given adequate food and training, and attempts had to be made "to integrate them more fully into German everyday life"—in full contradiction of the "distorted racist stereotypes" of Nazi ideology. In the final months of the war, "an ever more radical wave of persecution of foreign workers set in." On the whole, Herbert concludes, "the vast majority of Germany showed little interest in the fate of foreigners," and little discomfort at discrimination against Russians and Poles. Evil was not so much banal as routine and ordinary.

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Stalinism and Nazism: Dictatorships in Comparison. EDITED BY IAN KERSHAW AND MOSHE LEWIN. New York: Cambridge University Press, 1997, 369 pp. $59.95.

A thought-provoking book for three very different reasons. First, despite the ambitions of the participants, many of these essays deal exclusively or predominantly with one or the other regime, but eschew comparisons. By my count, only three of the chapters—those written by the co-editors and the essay by Michael Mann—as well as the introduction and the afterthoughts written by Kershaw and Lewin attempt a systematic comparison. Second, there are serious differences in interpretation among the authors. Mann does not accept Hans Mommsen's view of Nazi self-destruction through administrative chaos. Jacques Sapir, writing on Soviet war economics, disagrees with Bernd Bonwetsch's emphasis on Stalin's all-pervasive influence in military affairs and stresses the reintroduction of market mechanisms into Soviet military planning as of 1942. Third, the attempts to challenge such venerable and overworked concepts as totalitarianism and the German "special way" (*Sonderweg*) are not particularly successful (George Steinmetz's idea that *Sonderweg* began with Nazism and continues with the Federal Republic because of the weight of Nazism on it is more intriguing than persuasive). Readers of this collection will find the historiographical essays by Mark von Hagen, on post-Soviet history, and by Mary Nolan, on work, gender, and everyday life in the Third Reich, particularly valuable.

Italian Foreign Policy in the Interwar Period, 1918–1940. BY H. JAMES BURGWYN. Westport: Praeger, 1997, 246 pp. $65.00.

Burgwyn shows how disappointment at the shabby treatment many Italians believed they had received from their allies at the Paris peace conference paved the way for Mussolini's own brand of nationalism. Halfway between the interpretation of Mussolini's foreign policy as "aggressively ideological" and the view of the Duce as a pragmatic opportunist, Burgwyn's analysis emphasizes imperialistic and revisionist ambitions more than ideology, and "a loose and shifting combination of biases and historical resentments that were exacerbated by [Mussolini's] volcanic and contradictory personality." Eager to be a new Caesar, champion of war as the test of national will, he indulged in "a diplomatic calculation . . . flawed over the years by amateur diplomacy, the personalization of international politics," and an inability to keep his aims within the limits set by Italy's "paucity of natural resources . . . its underdeveloped industry," and a weak war machine. Italy thus did not become the indispensable "balancer" of power in Europe, and having failed to protect Austria's independence, Mussolini was led to his fateful support of Hitler from a position of weakness. After Mussolini's demise, the new Italian republic would repudiate everything he had stood for and redefine Italy's interests drastically—toward European unity.

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Western Hemisphere

KENNETH MAXWELL

Mexico: Biography of Power. BY ENRIQUE KRAUZE. New York: HarperCollins, 1997, 854 pp. $35.00 (paper, $18.00)

If one were to read only one book on Latin America this year, Krauze's book should be it. He provides a superb overview of Mexico's tumultuous history, never losing sight of the foibles and accidental grandeur and tragedy of individual lives, or of how a succession of authoritarian and at times highly idiosyncratic rulers influenced that history. Krauze dissects the political system that eventually emerged from the Mexican revolution and is currently struggling to accommodate a powerful movement toward greater democracy and accountability. As North America becomes more integrated by trade, immigration, capital flows, and environmental concerns, the more Americans know about their neighbor to the south the better, and Krauze's splendid book is where they should begin.

Brazil: The Once and Future Country. BY MARSHALL C. EAKIN. New York: St. Martin's Press, 1997, 301 pp. $35.00.

Antonio Carlos Jobim, the great composer and lyricist, once said that Brazil was not for beginners. Certainly this subcontinent-sized nation is not easy to understand, and few authors have been able to explain its complexity to foreigners. A country of vast social and economic extremes, diverse terrains and climatic zones, and an extraordinary mixture of cultures, races, and ethnicities, it remains among the great unknowns of the Americas, especially in the United States. Eakin draws on 20 years of experience visiting and writing about the history of Brazil to produce an eloquent and informative overview, the best short survey of Brazil since the anthropologist Charles Wagley's 1963 classic, *An Introduction to Brazil.*

Brazil under Cardoso. EDITED BY SUSAN KAUFMAN PURCELL AND RIORDAN ROETT. Boulder: Lynne Rienner, 1997, 118 pp. $12.95 (paper).

A timely analysis of the Cardoso administration. Purcell, vice-president of the Americas Society, provides an insightful analysis of U.S.-Brazilian relations. Albert Fishlow, who currently holds the Volcker Chair at the Council on Foreign Relations, gives a succinct overview of the 1994 Real Plan, which brought monetary stability, and takes a cautiously optimistic look at the overall economic prospects. Amaury de Souza, of the Institute for Economic, Social, and Political Research of São Paulo, believes Cardoso has a unique opportunity on health, education, and social welfare. Many others argue, however, that Cardoso has not moved fast enough due to political compromises in his successful bid to change the rules and run for a second term. In his introduction to Brazilian politics, coeditor and long-time Brazil hand Riordan Roett warns that "the process of reform will be slow and as much influenced by local considerations as" by Cardoso's reform agenda.

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Summitry in the Americas. BY RICHARD E. FEINBERG. Washington: Institute for International Economics, 1997, 247 pp. $32.50 (paper, $20.00).

A detailed insider account of the overall historical background, backroom bureaucratic struggles, and implementation procedures established by the Summit of the Americas held in Miami in December 1994, when the heads of state of the 34 democracies of the region pledged themselves to the achievement of a Free Trade Area of the Americas by 2005. As the senior staff member of the National Security Council responsible for Latin America, Feinberg took a leading role in proposing the summit and was able to overcome much bureaucratic foot-dragging in securing the administration's commitment. Feinberg argues that following the bitter struggle over NAFTA, only the "decision-forcing summit" made progress toward an FTAA possible. It would be difficult to tell from Feinberg's insider boosterism, however, that the major U.S. media networks virtually ignored the Miami Summit due to the brouhaha over Surgeon General Joycelyn Elders, or that the peso collapsed two weeks after President Clinton's commendation of Mexican President Carlos Salinas de Gortari in Miami.

Che Guevara: A Revolutionary Life. BY JON LEE ANDERSON. New York: Grove Press, 1997, 814 pp. $35.00.

Compañero: The Life and Death of Che Guevara. BY JORGE G. CASTAÑEDA. New York: Alfred A. Knopf, 1997, 352 pp. $30.00.

The Motorcycle Diaries: A Journey around South America. BY ERNESTO CHE GUEVARA. New York: Verso, 1995, 155 pp. $50.00 (paper, $10.00).

Jon Lee Anderson spent over five years researching his remarkable book on the life of Che Guevara, including a lengthy period in Cuba where he had access to government archives and many of Guevara's friends and family. His investigations and interviews in Bolivia led directly to the revelation that Guevara had not been cremated, as was often claimed, but had in fact been buried near a dirt airstrip outside the tiny mountain town of Vallegrande in central Bolivia. Anderson traces Guevara's life from his spoiled and rebellious youth in Argentina, through his adventures and misadventures in Guatemala and Mexico, to the success of the Cuban revolution. Anderson's account is well rounded and far from uncritical. Guevara's role as a hard-line orchestrator of the firing squads that dispatched perceived enemies is well described, as is his later estrangement from Castro and distrust of the Soviet Union. The book concludes with graphic accounts of the hitherto murky episode of Guevara's African debacles, and the grim story of his disastrous Bolivia insurgency, capture, and murder.

Castañeda covers much of the same ground in his fine life and death of Guevara, and while his book lacks the journalistic flair and hard legwork so evident in Anderson's account, he does often provide more context and much more comprehensive and explicit documentation. Castañeda seeks to explain the enduring mythos of Guevara and his role in the iconography of the generation of the 1960s worldwide. Anderson and Castañeda in this way complement each other, and both books deserve to be read sequentially

There is very little political orthodoxy in Guevara's marvelously evocative, at times picaresque, and always fresh account

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of his journey through South America as he turned 24 years of age, a young man like many of his epoch moved by a grandly romanticized and burning desire to change the world, but unlike many others one who actually did something about it. These aspirations, reflected more clearly in his own words than in his biographies, provide the answer perhaps to the secret of his enduring appeal.

Eastern Europe and Former Soviet Republics

ROBERT LEGVOLD

Russia: People and Empire. BY GEOFFREY HOSKING. Cambridge: Harvard University Press, 1997, 368 pp. $27.95.

We look to history to enlarge our perspective on the issues of the day, but rarely does it cut so deeply into the essence of an urgent problem as in this book. If the Russians are having trouble as they struggle to find their way from the Soviet past to a modern future, as a result creating uncertainty, uneasiness, and confusion among those of us on the outside, the reasons, says Hosking, have long, thick roots in Russian history. At every point of choice, back to the "time of troubles" in the early seventeenth century, Russia sacrificed the construction of a Russian nation to the creation and maintenance of an empire, destroying the basis for a Russian national identity. Too often Hosking fails to explain why the "choice" at any given juncture always came out the same, but he is crystal clear about the consequences. Instead of a nation-state, the empire became cleaved—between rulers and ruled, eventually between the autocracy and its privileged retainers, and even between agents of change and the people who were to be its beneficiaries. The Soviets took up where the czars left off, only to end as they did, opening for the Russians another, and this time their best, chance of achieving nationhood.

Democratization and Revolution in the U.S.S.R., 1985-1991. BY JERRY F. HOUGH. Washington: Brookings, 1997, 542 pp. $59.95 (paper, $26.95).

Six years after the whole thing collapsed, it is, as Hough notes, time to offer some fundamental answers to the most basic questions. Why did the Soviet Union end as it did? And still more problematic, did it have to happen? The unmaking of the Soviet Union, Hough contends, deserves to be thought of as a revolution, a revolution from above. That, he argues, is the modern way to think about revolution—not as an irrepressible explosion from below, but as the handiwork of national elites who have lost their stomach, indeed their desire, to preserve a decrepit system. But elites have choices, and if they choose well, as in Hough's view the Chinese have, they can reform the system; if they choose badly, as he believes the Soviet leadership did, they precipitate a revolution. For those who believe the Soviet system was unreformable and fated to collapse when tampered with, this thesis will be controversial

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enough. What should steam things up a good deal more, however, is Hough's claim that Gorbachev's real folly was to listen to radical reformers and democrats rather than "moderate reformers," who would, he contends, have kept the democratizing to a minimum and directed the economic reform at, rather than against, a managerial class ready for change.

Ukrainian Nationalism in the 1990s: A Minority Faith. BY ANDREW WILSON. New York: Cambridge University Press, 1997, 300 pp. $59.95.

"Modern Ukraine is a deeply divided society with a pronounced pattern of regional diversity." This is Wilson's opening sentence, and from there he spells out its significance in great detail. Because of historical reasons as well as ethnic, linguistic, and religious differences, he argues, an ethnically based nationalism has little chance of capturing the hearts and minds of the bulk of the population. In its absence, many of the forces at work in modern Ukraine are more likely to produce a "sharp polarization." Wilson sustains this general argument with a remarkably succinct but persuasive distillation of the relevant history back to tenth-century Kievan Rus and a detailed survey of virtually every group, cluster, party, and institution (including the Communist Party) that has contributed something to the phenomenon of Ukrainian nationalism. He is far from predicting doom for Ukraine, but skillfully shows how large looms the challenge facing the country—of building not only a new state but a nation to underpin it.

Black Dog of Fate: A Memoir. BY PETER BALAKIAN. New York: Basic Books, 1997, 289 pp. $24.00.

It starts as a graceful, Holden Caufield–like memoir of youth and ends in a scream. Balakian, a poet and professor of English at Colgate, is a third-generation Armenian. He does not so much tell his life story as use it. Into his typically American adolescence in the 1950s come small bolts of evil, rather like a movie with fragmentary flashbacks. A strange gesture from his well-starched physician father (empathizing with a Sioux chief on a father-son bus trip through South Dakota), a dropped phrase from his professor aunt, and particularly the mysterious warnings of his beloved grandmother, the source of the puzzling, allegorical tale about the black dog of fate—these cracks in the silence of his family hang in the air, until at last as a young man Balakian sets out to uncover what happened to his grandmother and the others in the collapsing Ottoman Empire in 1915. Balakian makes no pretense to be an objective social scientist carefully weighing all sides of the controversy over the Armenian genocide. His is a cry from the heart, transcribed with enormous literary skill, that directly penetrates the reader's emotions and uniquely conveys how and why those events still grip the Armenian diaspora so ferociously.

Internal Factors in Russian Foreign Policy. BY NEIL MALCOLM ET AL. New York: Oxford University Press, 1996, 356 pp. $72.00.

Four of Great Britain's ablest Russian specialists have combined to produce the single best book available on contemporary Russian foreign policy. This is much more

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than a collection of essays. It is a genuinely synthetic work, with a carefully conceived division of labor and linked chapters. These deal with the contested ideas and orientations underlying Russian foreign policy, the agencies and processes producing policy, the broader political arena within which politicians and special interests struggle to influence policy, and the particular role played by the military. The research is thorough, the authors experienced and talented, and the result a balanced, comprehensive exploration of the tension among contending schools of thought, institutions, and players. Although focused on 1994 and 1995, it is a measure of the book's quality that for the most part the analysis remains sound.

After nearly six years of reviewing, William B. Quandt has stepped down from the Middle East section. We will miss his careful evaluations and balanced commentary. His successor, L. Carl Brown, Garrett Professor in Foreign Affairs Emeritus at Princeton University and author of International Politics in the Middle East: Old Rules, Dangerous Game, *writes his first batch of reviews below.*

Middle East

L. CARL BROWN

The Price of Wealth: Economies and Institutions in the Middle East. BY KIREN AZIZ CHAUDHRY. Ithaca: Cornell University Press, 1997, 330 pp. $45.00 (paper, $19.95).

Both Saudi Arabia and Yemen rely on foreign exchange—either oil rent (the Saudis) or labor remittances (Yemen)—for over 80 percent of their GNP. How does this intensive involvement in the international economy affect governmental institutionalization and control of society? Studying three different periods—the pre-boom era of state-building up to 1973, the oil boom decade (1973-83), and the recession thereafter (1984-90)—Chaudhry presents interesting findings. For example, Saudi oil rent goes straight to government coffers. Yemeni labor remittances go to and strengthen the private sector. The former is the classic autonomous state, the latter a poorly institutionalized state facing a growing private sector. Yet when the recession hit, the Saudi private sector was able to pressure the seemingly autonomous state to adapt to its needs. The recession in Yemen brought increased state control over society. This is a solid two-case study that instead of the usual grand theories offers more contextual and multicausal explanations. And there are many such states. Chaudhry suggests there are at least some 15 oil-exporting and 12 labor-exporting states comparable to Saudi Arabia and Yemen.

Bridging the Gap: A Future Security Architecture for the Middle East. BY SHAI FELDMAN AND ABDULLAH TOUKAN. Lanham: Rowman and Littlefield, 1997, 126 pp. $49.95 (paper, $15.95).

Feldman, a longtime researcher at the Jaffee Center for Strategic Studies in Tel Aviv, and Toukan, science adviser to King Hussein, team up for this short

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study under the auspices of the Carnegie Commission on Preventing Deadly Conflict. They coauthor a succinct review of the several bilateral and multilateral Israeli-Arab groups set up after the 1991 Madrid conference. Then Feldman presents a clear account of Israeli security perceptions and policies. Toukan follows with the same for the Arabs. His chapter is understandably more diffuse, being obliged to bridge a different "gap"—that dividing the many Arab states. The two conclude with a chapter suggesting steps to advance the peace process. No great breakthroughs proposed, but a few procedural points that could reap real gains. A timely reminder that Israelis and Arabs are talking.

Strategic Geography and the Changing Middle East. BY GEOFFREY KEMP AND ROBERT E. HARKAVY. Washington: Carnegie Endowment for International Peace, 1997, 493 pp. $52.95 (paper, $22.95).

Loaded with useful maps, charts, and tables, this book ranges over geography and history, "energy security," and past and prospective military operations. Five appendices, for example, one on unconventional weapons programs in the region, add to this rich diet of encyclopedic fact and interpretation. The authors define a "greater Middle East" that comprises the Arab world, Iran, Israel, and Turkey plus the Horn of Africa, the Transcaucasus, western Central Asia, and South Asia. Including the energy-rich Caspian Basin countries with the Arabian peninsula, Iran, Turkey, and Iraq produces a "strategic energy ellipse" with over 70 percent of the world's proven oil reserves. Who will assure access to this strategic region? Ultimately, the United States. That the negative view so many in the region have of the United States ("Great Satan," etc.) might itself be a strategic liability demanding a lower profile is hardly considered. Western European differences with the United States over Israeli-Arab issues are to be deplored and ignored. What about the free-rider problem of countries that gain from access without contributing? It may seem unfair to criticize this excellent presentation of Middle Eastern "strategic geography" for what it does not do, but how one defines a problem shapes the answers chosen.

War in the Gulf, 1990-91: The Iraq-Kuwait Conflict and Its Implications. BY MAJID KHADDURI AND EDMUND GHAREEB. New York: Oxford University Press, 1997, 299 pp. $30.00.

Majid Khadduri published his first book on Iraq in 1951. His many works since have concentrated on Iraq or Islamic and international law. Now this indefatigable scholar (born in 1908) has teamed up with Ghareeb, himself a specialist on Iraq and the Kurds, to produce a book explicitly intended to offer a better appreciation of the Iraqi case. The four-part treatment presents the history of Iraqi claims to Kuwait, the immediate causes of the war, the war and postwar history to the present, and an apportionment of responsibility for the Gulf War, which, the authors maintain, was avoidable. Useful as a scholarly and sympathetic exposition of the historical Iraqi position, and not just the actions of Saddam Hussein, certain of the book's arguments, often presented in legal and normative terms, will be questioned. To claim, for example,

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that the United States and the United Nations preempted an "Arab solution" glides over the family resemblance between Middle Eastern diplomacy and that of the nineteenth-century Concert of Europe: no state attempting a major change in regional power balances goes unchallenged.

Palestine and the Palestinians. BY SAMIH K. FARSOUN. Boulder: Westview Press, 1997, 200 pp. $32.00.

This is an in-depth study starting with a good analysis of Palestinian social history from the early 1800s to World War I, followed by two interpretive chapters covering the Mandate period and 1948 to the present. Next comes "The Rise and Fall" of the PLO, and that chapter title is telling. The authors see the Oslo accords and all that has followed as a PLO sellout to Israel and the United States, and they deplore what they view as Yasir Arafat's autocracy and incompetence. The final three chapters continue that line with detailed treatment of the period since the beginning of the intifada in 1987. Tough talk, but this is no shrill polemic. Based on solid research, the book presents a tightly argued interpretation that should jar the complacency of those who accept the American self-image of the "honest broker" and see the "peace process" as irreversible. Still, given the power imbalance that Palestinians have long faced, what good alternatives are there to seeking incremental gains?

Asia and the Pacific

DONALD ZAGORIA

The Two Koreas: A Contemporary History. BY DON OBERDORFER. Reading: Addison-Wesley, 1997, 480 pp. $30.00.

Oberdorfer's book about the last 25 years of modern Korean history is likely to stand as the most coherent, well-documented, and insightful book on contemporary Korea now available. The author was the diplomatic correspondent for *The Washington Post* in Northeast Asia for much of the period he writes about, and has made judicious use of government documents and conducted more than 400 interviews with former U.S., Japanese, and South Korean government officials. He sheds light on all the turning points in recent Korean history, including the assassination of President Park Chung Hee, Jimmy Carter's disastrous decision to withdraw U.S. ground troops from South Korea, and the U.S.-North Korean confrontation over North Korea's nuclear programs that almost led the two countries into war in 1994.

Historians will have many questions and much material to ponder as a result of Oberdorfer's path-blazing volume. Why, for example, did President Carter decide to withdraw U.S. ground troops from South Korea? Carter himself told Oberdorfer 20 years later that "the origin of my position is not clear to me." If that decision was one of the low points of U.S. Korean policy in recent years, the 1994 handling of the nuclear crisis with North Korea was one of the high points.

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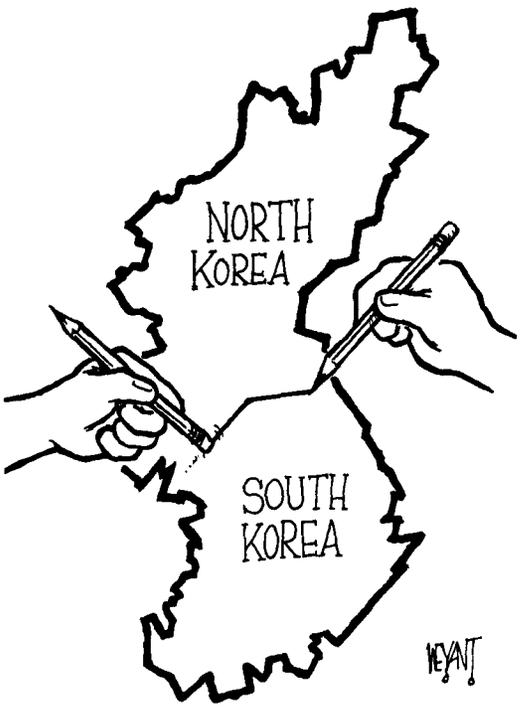

And in that instance, ex-President Carter played a key role. Nevertheless, the author concludes on a sobering note. The United States has not had clear goals and a well-articulated policy toward the peninsula as Korea moves toward a new era. And the absence of such goals has diminished U.S. authority.

China Briefing: The Contradictions of Change. EDITED BY WILLIAM A. JOSEPH. Armonk: M. E. Sharpe, 1997, 336 pp. $58.95 (paper, $19.95).

For sound analyses of recent developments in China, Hong Kong, and Taiwan by recognized specialists, this biennial review has always ranked highly. One of the jewels in this volume is an essay by Minxin Pei at Princeton. He defines the central dilemma of the Chinese political system as, on one hand, a "governability crisis" caused by the declining capacity of the Chinese Communist Party and other existing institutions to govern China, and on the other hand, evidence of institutional renewal that raises hopes for an evolutionary process of change. The crisis of governability includes a public security apparatus that is a "disaster area" of official corruption, a rapid rise in crime, increasing banditry and armed robbery, and underinvestment in rural infrastructure. The signs of institutional renewal include the growing autonomy of the National People's Congress, the emergence of the People's Congress and local government bodies as potential counterweights to the power of the Communist Party, the beginnings of the rule of law, and the emergence of self-government, with relatively free elections in large areas of rural China. The author concludes that China may yet make a gradual transition to a "soft-authoritarian system based on a market economy."

Vietnam Joins the World. EDITED BY JAMES M. MORLEY AND MASASHI NISHIHARA. Armonk: M. E. Sharpe, 1997, 244 pp. $58.95 (paper, $23.95).

This volume is one of the few to deal with "the reemergence of Vietnam"—not as the belligerent champion of a militant ideology and socialist causes, but "as an open, friendly country seeking a respected place in the world community" (although, I should say, I am biased since I contributed an essay). The authors argue that since 1992, Vietnam has entered a period of high growth and could well double its per capita income by the end of the century. But there are serious tasks ahead: the rationalization of failing state enterprises, the unblocking of rural access to credit, and the creation of a modern legal system.

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They argue further that the United States and Japan should open their markets, facilitate trade, investment, and technology transfers, and extend aid. They should urge Vietnam to further reduce its armed forces. And they should support the full engagement of Vietnam in the Association of Southeast Asian Nations and the Asia-Pacific Economic Cooperation forum.

The Taiwan-China Connection: Democracy and Development across the Taiwan Straits. BY TSE-KANG LENG. Boulder: Westview Press, 1996, 157 pp. $59.00 ($19.95, paper).

This illuminating study of the Taiwan-China relationship advances a number of intriguing and closely related propositions. First, there has been rapid growth since 1987 in Taiwanese trade and investment in the PRC. Second, although the Taiwanese state, led by the Kuomintang, has tried hard to cool down the "mainland fever" in the Taiwanese business community, the fact is that Taiwan's economic development is more and more dependent on the China market. Third, because of the shifting balance of power between state and society—including an increasingly powerful business community and middle class—the Taiwanese state has been only partially successful in curbing and regulating this trade and investment. Finally, all this combines to give the PRC better leverage to manipulate Taiwan's economy for political ends.

The Rise and Decline of the Asian Century: False Starts on the Path to the Global Millennium. BY CHRISTOPHER LINGLE. Brookfield: Ashgate Publishing, 1997, 220 pp. $59.95.

The author, who in 1994 was forced to leave Singapore to avoid lawsuits and imprisonment after writing a newspaper article critical of the government's political leadership, now strikes back. His argument is that all the talk about the "Asian Century" is excessively optimistic and that the conservatism, authoritarianism, and inflexibility of East Asia's economic and political institutions will interfere with the processes necessary for sustaining the high growth rates of the past. Corruption and rising crime are, he says, reaching "epidemic proportions," partly because of the moral void that authoritarian and socialist regimes create. Also, according to the author, many Asian economies are distinguished by an institutional bias against individualism. Although the book suffers from overgeneralization, the basic argument is an important one. In the information age, is rapid economic development handicapped by authoritarian institutions?

Africa

GAIL M. GERHART

Anatomy of a Miracle: The End of Apartheid and the Birth of the New South Africa. BY PATTI WALDMEIR. New York: W. W. Norton, 1997, 303 pp. $27.50.

This is one of the better sort of journalistic books that probe beneath the who and what to look for the why of world events. The author reported on southern Africa for the *Financial Times* for nine years from the mid-1980s, first from Lusaka

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and later from Johannesburg. She adds some new details to the account of the secret negotiations between South Africa's African National Congress and National Party first told in 1995 (without the melodramatic style and pretentious name-dropping) by Allister Sparks in *Tomorrow Is Another Country*. She offers plausible hypotheses to explain the ambiguities of F. W. de Klerk's political strategy, Deputy President Thabo Mbeki's winning diplomatic style, and Nelson Mandela's breadth of vision acquired in his prison years. Politics, economics, and fortune brought South Africa's race conflict to an impasse in the late 1980s, she says, skillful leadership on both sides and the collapse of the Eastern bloc pushed events toward resolution in 1989-91, and a combination of superior political maneuvering and numbers ensured an ANC victory in 1992-94.

Out of America: A Black Man Confronts Africa. BY KEITH B. RICHBURG. New York: Basic Books, 1997, 257 pp. $24.00.

Richburg, a *Washington Post* reporter, ardently believes that black Americans should struggle to assimilate into the national mainstream rather than seek refuge in a ghettoized, Afrocentric identity. He uses this memoir from his three years as an African correspondent to debunk the idea of Africa-as-glorious-motherland. Instead, he maintains, black Americans should be thankful their ancestors escaped this chaotic, violent, and "strange" continent. Many will find this argument a salutary dose of realism, while others will see it as too jaded (he admits that inflated initial expectations contributed to his severe disillusionment), too simple (his Africa is populated by a stereotyped if vividly portrayed cast of good guys and bad guys), and ultimately too narrow. While deploring "all the ignorance and hypocrisy" that he claims has led Americans to sweep Africa's problems under the rug, the author himself ignores the impressive corpus of straight talk about Africa readily available in serious contemporary American books and journals, much of it by black area specialists.

Challenging the State: Crisis and Innovation in Latin America and Africa. BY MERILEE S. GRINDLE. New York: Cambridge University Press, 1996, 243 pp. $49.95.

The scarcity of good books on the comparative politics of economic reform makes this solid study welcome. Through extended case studies of Mexico and Kenya, this nontechnical work by a Harvard development specialist examines how the austerity enforced by lender and donor policies in the 1980s affected the institutional, administrative, and policy-making capacities of both governments, and how each responded to the political challenges posed by domestic interest groups critical of government performance. Grindle notes that neoclassical economists who see the market as a benign "invisible hand" often tend to see governments as an "invisible foot" that impedes healthy economic development. Her study shows, however, that governments and their capacity to manage change are central to the effective pursuit of development.

Kenya Shadow Justice. London: African Rights, 1996, 267 pp. $14.95 (paper).

Without institutional mechanisms for the resolution of disputes, life everywhere

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would be nasty, brutish, and short. Judicial systems that routinely fail to perform their intended functions lose public trust and set society on a slippery slope to mob justice, anarchy, and state collapse. This courageous report sounds alarms for Kenya, where rampant corruption and lack of public confidence in the police and the courts portend increasing violence. While foreign donors and human rights organizations focus on the defense of high-profile political dissidents in Nairobi, a culture of cynicism, despair, and violence grows in the countryside, fed by the authoritarianism of rural chiefs, the insecurity arising from thousands of unresolved land disputes and politically sanctioned land seizures, and the abusive and arbitrary behavior of law enforcement officers. This grassroots crisis of justice, the report argues, ultimately threatens stability in Kenya much more than do the venal machinations of President Daniel arap Moi to control the national parliament or keep the international aid taps open.

Remembering the Present: Painting and Popular History in Zaire. BY JOHANNES FABIAN. Berkeley: University of California Press, 1996, 348 pp. $75.00 (paper, $30.00).

While we await the appearance of studies of the post-Mobutu era, this book casts a highly original glance backward at the history of the former Zaire through the eyes of a talented self-taught painter, Tshibumba Kanda Matulu. Between 1973 and 1976, during lively conversations and correspondence with the anthropologist Johannes Fabian, the Shaba-born artist explained how in recording his vision of his country's past in 100 paintings, he sometimes departed from so-called historical facts, his intention being to make people think and question. Paintings of the 1961 arrest and murder of nationalist leader Patrice Lumumba convey a tragic intensity suggestive of Christ's betrayal and death. A portrait of Mobutu receiving applause at the United Nations in 1973 reveals the artist's highly subjective and self-censored conceptions of historical "truth," Fabian argues. In the book's second half, Fabian offers an anthropological analysis of Tshibumba's history—as art, narrative discourse, and political commentary—that will delight readers interested in postmodernist studies of the construction of knowledge.

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Letters to the Editor

Frank Ching on Hong Kong, Barry Watts on the army's arithmetic, Donald Blinken, Lionel Rosenblatt, and others

GETTING IT WRONG

To the Editor:

In his July/August 1997 letter to the editor, Louis Kraar takes issue with the "rosy conclusions" in my article ("Misreading Hong Kong," May/June 1997). But Kraar has reached some conclusions of his own, many of which have been proved wrong. Two years ago he wrote an article in *Fortune* magazine, "The Death of Hong Kong," in which he summed up Hong Kong's future in two words: "It's over." But by almost any measure, Hong Kong has thrived and prospered in the last two years, far more so, in fact, than any country in the West. Trade has increased, the stock market has gone up, and its per capita income is higher than Britain's.

Kraar is wrong when he says the Joint Declaration of 1984 provided that the people of Hong Kong would elect the chief executive. He is misleading when he says that the provisional legislature "excludes Martin Lee's Democrats." In fact, the Democratic Party was invited to join the legislature but decided to boycott it, expelling the one member who dissented. Small wonder, then, that Martin Lee's Democrats are not in the provisional legislature.

Kraar says it is hard to understand how I can ignore the evidence and reach my rosy conclusions. Maybe I should remind him of what those "rosy conclusions" were: "Perhaps in the end China will break its promises of 'one country, two systems' with 'Hong Kong people running Hong Kong' with 'a high degree of autonomy.' But it is far too early to assume that will be the case." By assuming that to be the case, Kraar reveals himself to be a closed-minded person.

A public opinion survey before the handover showed that half the people in the United States thought the transition would be bloody—a result, presumably, of what they had been fed in the American media. But the handover was peaceful, with no bloodshed, riots, violence, or arrests—though there were plenty of demonstrations, which China made no move to stop after it took control. The first few weeks of the Special Administrative Region have been similarly peaceful. I'm keeping my fingers crossed that this will continue.

FRANK CHING
Senior Editor
Far Eastern Economic Review

ARMY VS. EVERYONE

To the Editor:

William Odom's article—a transparent attempt to create interservice rivalries—is a series of gross misinterpretations and selec-

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tive misrepresentations of the truth ("Transforming the Military," July/August 1997). He writes that in the 1980s, when the United States decided to strike Libya, "two carriers in the Mediterranean Sea did not have sufficient capabilities to execute the mission." He added that, "An Air Force F-111 bomber unit based in Britain was added to the strike force." I served as an operations planner on the European Command staff responsible for developing courses of action for the Libyan strikes. Contrary to General Odom's allegations, sufficient naval forces were available to execute the attacks. But in the interest of cooperation the Air Force was included in the plans. Unfortunately, the lengthy flight time from Britain to Libya and France's disapproval of overflight rights adversely complicated the Air Force plan and target accuracy. This situation may have contributed to the only aircraft and pilot loss of the strikes. The close proximity of naval forces to Libya and the targets created challenges much less restrictive, complex, and politically sensitive, and less dependent upon diplomatic clearance than those of the Air Force.

Odom also alleges that the Marine Corps is becoming obsolete with today's technology, writing that, "Marines must sail for days to arrive at their destination." He conveniently ignores the fact that the forward presence commitments of the Marine Corps routinely assures its availability to immediately respond to crises around the globe. The Marines were in the Persian Gulf to respond to Iraqi aggression, and they were off the coast of Bosnia to rescue downed Air Force Captian Scott O'Grady. In time of need, being there is everything.

JOHN H. ADMIRE
Major General, U.S. Marine Corps

To the Editor:

While I agree with William Odom's opening thesis that "America's defense does not require a larger budget, but rather a major reallocation to meet the challenges of the post–Cold War world," his conclusion that naval forces are obsolete does not withstand serious scrutiny. Given that 222 out of the world's 265 countries border the sea, that 75 percent of the world's population and 80 percent of all world capitals lie within the littorals, and that 90 percent of U.S. world trade continues to travel by sea, his apparent dismissal of the maritime theater is indeed shortsighted.

Navy ships and aircraft were the first American forces on the scene after the Iraqi invasion of Kuwait, arriving in just two days. In contrast, Saudi Arabia denied use of its bases to U.S. Army troops for five days while access agreements were worked out. Any number of ambassadors, American and foreign alike, will testify against the myth that the U.S. Navy cannot influence events ashore. General John Shalikashvili recently stated that, in any military crisis, his first question to his operations officer is, "Where is our nearest carrier?"

Despite Odom's claim of an "American retreat from forward ground force presence leading to disengagement and isolation" and "hoopla about 'power from the sea,'" Vice Chief of Naval Operations Admiral Harold Gehman has demonstrated that the naval services provide not only more firepower per person, per platform, and per dollar, but also more peacetime engagement. In his words, "this nation should only pay once . . . Your peacetime presence forces are also contingency response forces, as well as enabling forces

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for major theater wars." Since our forces must be capable of responding to the full spectrum of crises, we must understand the importance of all U.S. forces: air, space, information, land, and sea.

GEOFFREY T. PACK
Commander, U.S. Navy

To the Editor:

Odom asserts that the "overwhelming majority—70 to 80 percent—of Iraqi tanks were destroyed by army tanks and attack helicopters, not by strategic or tactical aircraft." But the Gulf War Air Power Survey and the CIA's assessments after the war indicate that Odom has exaggerated army performance by a factor of two.

Based on all available sources, the air power survey task force on operations and effects, which I led, estimated that during the air campaign, coalition airpower had destroyed 1,388 Iraqi tanks, some 53 percent of the 2,633 Iraqi tanks destroyed or abandoned by the end of the war.

Of the remaining 1,245, fixed-wing aircrews claimed another 451 during the coalition's 100-hour ground offensive. A conservative estimate would be to accept half this figure, bringing fixed-wing airpower's total share of the "dead" Iraqi tanks to 61.3 percent. That leaves 38.7 percent that can be credited to all coalition ground forces combined. The CIA imagery analysts assessed that the two U.S. Marine Corps divisions in the eastern Kuwait theater destroyed at least 96 tanks, not including those destroyed by the Tiger Brigade of the U.S. Second Armored Division, which was attached to the Second Marine Division. Subtracting these marine tank kills and ignoring ones by the British First Armored Division leaves the U.S. Army's maximum share at 35 percent, at most half of the 70 to 80 percent claimed by Odom.

BARRY D. WATTS
Director, Northrop Grumman Corporation Analysis Center and Chief of Operations and Effects for Gulf War Air Power Survey, 1991–93

HUNGARY'S HEAD START

To the Editor:

Swanee Hunt highlights many of the challenges facing women in Eastern and Central Europe during the transition from communism to democracy ("Women's Vital Voices," July/August 1997). It is important, however, to discuss the differences between the countries in the region. The gender gap in Hungary, for instance, is narrowing rapidly. As in Poland and the Czech Republic, Hungary's economic restructuring has reduced gender-based employment discrimination. Income disparity between Hungarian women and men dropped from 35 percent in 1985 to 20 percent in 1995. Although the percentage of women employed in Hungary has fallen since 1985, Hungarian women are employed at a rate comparable to the European Union's. Moreover, a higher percentage of Hungarian men than women are unemployed.

Hungarian women are underrepresented in the political sphere, but the numbers are comparable to those in other Western democracies. Ten percent of Hungarian members of parliament are women, compared to 14 percent in Austria and 6 percent in the U.S. Senate. While the parliament had more female members during the communist era,

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today's elected women enjoy real power. Judith Csiha, the minister for privatization, is a member of the cabinet. There are five women state secretaries (out of 33), two women vice speakers of parliament (out of 3), and the chief ombudsman is a woman.

Increasingly, the struggle for women in Hungary resembles that of women throughout the developed world for equal access to opportunity, equal pay for equal work, and a balance between obligations both at work and at home.

DONALD BLINKEN
United States Ambassador to Hungary

RESPONDING TO REFUGEES

To the Editor:

Ben Barber glosses over a number of key points when he argues that relief agencies prolonged the crisis in Africa's Great Lakes region ("Feeding Refugees, or War?" July/August 1997). It is important to note that when faced with the militarization of the refugee camps along the border between eastern Zaire (now Congo) and Rwanda, the U.N. secretary-general and the office of the High Commissioner for Refugees pleaded with the international powers to disarm the Hutu militias who were using innocent refugees as human shields. The major powers declined. One can fault the U.N. refugee agency for lack of imagination and initiative in its handling of the Rwandan refugees and the camps. But these agencies should not be accused of ignoring the problem presented by the armed Hutu militias.

Last fall the U.N. called again for an international intervention, this time to funnel the refugees from their camps back to Rwanda. Such a multinational force was on the verge of deploying last November, but the resolve of the major powers withered as the Rwandan government objected.

Barber only briefly mentions the proposal to create a U.N. rapid reaction force. If a standing, quickly deployable contingent were assembled, the international community would better be able to prevent or contain conflicts and to protect noncombatants—as it consistently failed to do in the Great Lakes refugee crisis.

LIONEL A. ROSENBLATT
President, Refugees International

EURO-MUDDLE

To the Editor:

I do not share C. Fred Bergsten's view that "the euro will probably be strong from its inception" ("The Dollar and the Euro," July/August 1997). The currency markets attach much importance—understandably—to the composition of the initial membership of the European Monetary Union, and particularly to whether fudging the Maastricht Treaty's fiscal criteria will lead to a larger number of participating currencies than was originally expected. That fear has already triggered a substantial shift in international investment from the deutsche mark and related European currencies, first to the Swiss franc and later to the dollar and pound sterling. Such market pressure will continue to play a significant role.

Bergsten states that "while most Europeans want a strong euro, they also want to avoid an overvalued currency that deepens their economic difficulties." He goes too far when he says that the only way to avoid this dilemma is "to depreciate the European national currencies further before the launch of the euro." Depreciation is not the goal of many

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Europeans. They do want to avoid, however, a situation in which one of the weaker national currencies gains membership at a low conversion rate or, alternatively, such a currency stays out of the euro area and is free to depreciate. The issue may contribute to an interpretation of the convergence criteria that is too flexible.

As for views in the United States, many do not want a weak euro because it would be bad for America's competitive position and exports, but they do not want a strong euro either because it could replace the dollar as the major global currency. Perhaps the most appropriate solution from the American point of view would be a balanced, middle-of-the-road outcome: neither a strong nor a weak euro.

H. ONNO RUDING
Vice Chairman, Citicorp/Citibank, New York and Former Minister of Finance for the Netherlands

RISKY RETIREMENT

To the Editor:

Richard C. Leone fails to explain how fiddling around with the Social Security program through already-tried-and-failed tax hikes and benefit cuts can ultimately bring about the extra retirement security that the program is increasingly unable to provide ("Stick with Public Pensions," July/August 1997). Social Security benefits—averaging a mere $745 per month—cannot provide enough income for a secure retirement. Social Security was designed to be but one leg of a three-legged retirement stool, the other two legs being personal savings and a pension plan. Since the savings and investment legs are virtually nonexistent for most American workers, and since the current pay-as-you-go Social Security system of transfer payments from young to old is being undermined by a dwindling ratio of workers to retirees, more and more people and nongovernmental groups are looking to a funded system that would blend a compulsory private investment plan with a strong federal safety net, giving retirees a secure and sustainable retirement program for the first time.

Leone's critique of a funded system, which he mischaracterizes as "privatized," claims the model is inherently risky and overly optimistic, without adequate protections, and too expensive. In truth, he could very well be describing the current system, which faces severe cash shortfalls in the near future due to its reliance on optimistic demographic assumptions. It is fair to say that the tax increases and benefits cuts needed to offset the system's $8.3 trillion in unfunded liabilities would be deemed too expensive, indeed unsustainable, by the next generation of taxpayers.

The United States should preserve both the existing benefits to current retirees and the social protections under the current system, while using a portion of current payroll taxes to add a second tier that would incorporate new net savings for every American's retirement. As a result, every worker—not just the well-off—would have the economic opportunities and advantages of wealth creation and capital ownership for a retirement nest egg to accrue in individually owned 401K-type accounts. These accounts, mind you, would not be vulnerable to changing demographics or susceptible to political tinkering.

BRIAN F. KEANE
Executive Director, Economic Security 2000

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To the Editor:

I do not understand the key assumption on which Martin Feldstein's entire argument—that a private system would be significantly more efficient than the existing system—rests ("The Case for Privatization," July/August 1997). He states, "over the past four decades in the United States, the real rate of return on such investment (business plant and equipment) has been slightly more than nine percent," whereas Social Security contributions "now earn an implicit return of about 1.5 percent." First, is the "implicit" return the same variable as the "real" return described earlier? If so, why is the rate of return on investment (on business plant and equipment) of "the past four decades" compared with only the present return of the Social Security plan? Should not the latter also be based on the return of the past four decades?

Second, why must there be a sixfold difference in the rate of return of private investment and Social Security funds? What did private investors do that managers of the public Social Security fund could not? If this is a result of mismanagement by the government, then the solution is not to dismantle the system, but rather to reform it.

Third, under the pre-funded private scheme, every individual will save to finance his or her own retirement pension. What about people whose regular income is barely enough to meet day-to-day needs and are unable to save for their retirement? Although Feldstein mentions this point, the working mechanism is not examined to the extent that the seriousness of the issue warrants.

A combination of the present government's pay-as-you-go scheme and the pre-funded private pension plan would be the solution. The emphasis should be on private savings and investment plans as they would enrich the economy in terms of additional capital stock, as Feldstein has demonstrated. However, the government schemes should protect the needs of those who may not be able to save enough because of low incomes or other factors.

MAHMOOD IQBAL
Senior Research Associate,
The Conference Board of Canada

OIL IS THICKER THAN BLOOD

To the Editor:

David Rieff's article on Nagorno-Karabakh begins as a fact-finding mission but turns into a crusade to discredit the Armenians and portray the Azeris as victims ("Case Study in Ethnic Strife," March/April 1997). Rieff draws parallels between the actions of the Serbs in Bosnia and the Armenians in Nagorno-Karabakh and equates the victimization of the Bosnian Muslims with that of the Azeris. In fact, it would have been more appropriate to draw parallels between the behavior of the Serbs and the Azeris. Both have responded to legitimate aspirations for self-determination with brute force and indiscriminate violence. Just as the Bosnian Muslims voted to separate from Yugoslavia, the Nagorno-Karabakh parliament voted to secede from Azerbaijan. Just as the Serbs bullied and attacked the Muslims, the Azeris carried out pogroms in Sumgait and Baku, and when that did not work, they sent in

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the army with tanks and Grad missiles to attack Nagorno-Karabakh proper. And just as the Serbs besieged Bosnian towns and cities, Azerbaijan—contrary to what Rieff writes—has fully blockaded Armenia and Nagorno-Karabakh.

The seeds of the conflict were sown not only by the pogroms against Armenians but also by Moscow's decision to adopt a pro-Azeri stance. The systematic deportation of ethnic Armenians from the northern districts of Getashen and Martunashen in 1989 was accomplished with the tacit approval of Moscow and the active support of the Soviet troops on the ground. Surely Rieff knows about this great success in ethnic cleansing.

Rieff reveals the true nature of his article when he writes with consternation about diaspora Armenians' successful efforts to lobby the U.S. Congress to support a nation "with no economic or strategic importance," whereas a friendly relationship with Azerbaijan, regardless of the Azerbaijani government's dictatorial rule and genocidal policies in Nagorno-Karabakh, could secure tremendous wealth for American companies. Indeed, the smell of oil can be intoxicating, enough to motivate one to blatantly revise history in an effort to discredit the Armenians and open the way for Azerbaijani oil.

ZAVEN ZAKARIAN
Roxboro, Quebec

THE FACTS OF THE CASE

To the Editor:

As Monte Melkonian's sister, I must draw your attention to an error in Rieff's article. Rieff incorrectly includes my brother among the Dashnaks. Monte was never associated with this organization at any time during his life, nor was he a supporter of its political views. This error, and Rieff's inclination to exaggerate the importance of the Dashnaks in the effort to defend Nagorno-Karabakh, call into question other "facts" so tenuously supporting his analysis.

MAILE MELKONIAN
San Francisco, California

David Rieff Replies:

Maile Melkonian's devotion to her brother's memory is both understandable and creditable. If she says that her brother was not a member of the extreme Armenian nationalist Dashnak Party, I can only assume she is correct. However, I must report that her brother's image is ubiquitous in Dashnak offices in Nagorno-Karabakh, and that senior officials of the party whom I met there claimed him as one of their own. It was on that basis that I made my statement. And though Maile Melkonian is doubtless correct that her brother was never a Dashnak, I am hard-pressed to understand how this changes very much about the brutal ethnic war that has taken place in Nagorno-Karabakh.

DAVID RIEFF
New York

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ERRATA

Pedro-Pablo Kuczynski's letter to the editor ("Think Locally, Act Locally," July/August 1997) was incorrectly edited to state that Latin American economies' GDP is growing from $135 billion in 1993 to a projected $250 billion in 1997; in fact, these figures refer to the volume of Latin American exports.

Due to an editorial error, Adam Schwarz's article ("Indonesia after Suharto," July/August 1997) stated that Indonesia is composed of 24 provinces. The country actually has 27 provinces, including two special regions and one special capital district.

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